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BUSINESSCLUB

CASE STUDY

Hairdresser plans to restyle the industry

To grow his business and be a cut above, Michael Van Clarke must find, train and retain quality staff, he tells **Andrew Stone**

DESPITE charging up to £250 for a haircut, Michael Van Clarke doesn't have to advertise his salon's services. London's affluent beat a path to his Marylebone salon door.

Van Clarke's secret is high standards, not least of them his exacting "Diamond Dry Cut" performed on dry rather than wet hair for a superior finish. There's a growing market for such top-notch hair styling in London and around the world, said Van Clarke.

The brother of celebrity hairdresser Nicky Clarke, Van Clarke wants to exploit this trend by opening new flagship salons in London and other major world cities and by launching a new range of high-end hair products.

Success isn't assured however. Global expansion is a challenge to any organisation, let alone a single salon business with sales of around £2m for 2007, albeit one predicting strong growth of around 20pc this year.

He first has to find the right calibre of staff at all levels from commercial talent to great stylists. For too long the hairdressing business has suffered a dearth of talent, said Van Clarke. "The lack of training and the absence of a clear career path in most of the industry attracts the intellectually challenged," he said. "It makes it a dumping ground to keep unqualified youths off the unemployment figures."

This is a problem for Van Clarke, who is looking for bright people to become part of his growing business and to share in the wealth he plans to create from his business.

The challenge is to turn what could be an overhead-laden activity into something that generates revenue. "Our training methods are the key," he said. "We plan to open an academy for our staff but one at which staff from other salons can also train."

The incentive on offer to attract bright young stylists to Van Clarke is membership of a limited liability partnership, of which there will soon be 12 at his



Style merchant: Michael Van Clarke at his central London salon. He has ambitious plans to launch a limited liability partnership and expand his business into a global chain

existing salon. It is an unknown business model in the hairdressing industry but one with great potential to create a solid, scalable business, he said.

"There are no professional practices in hairdressing in the same way that there are in architecture, law and accountancy, for example, where the best practice is built on generation after generation."

"Many talented hairdressers could excel in a limited liability partnership. It offers a sense of community and shared ownership with minimal risk. It also ensures their more specialised talents are

highly valued and their limitations covered by other partners."

The potential rewards are great. Accomplished stylists at Van Clarke's salon, he said, can expect to earn £50,000 or more compared to an industry average of around £20,000. "It's also great for the business as I expect it to spur growth. If we can keep the talent and give people room to develop, the business becomes stronger," he said.

Alongside the growth of the salon business, Van Clarke is busy finalising his new line of hair products. He knows how important it is to get things right.

A previous product launch did not work as planned, he said.

"We were not geared up to sell mega amounts through supermarkets and we were competing with products that were only costing £4. We should have stayed premium."

This time he is looking to sell through the likes of John Lewis, Selfridges and Harrods, as well as online. "There's scope to market direct by putting up infomercials on the benefits of using the products and then selling direct. The potential is huge."

To launch his hair care line while also expanding the salon

business and the training activities, Van Clarke must find dynamic senior managers with the right sets of skills, not an easy thing to do in an industry where commercial nous and experience are a rarity.

"We need to recruit three key people to handle each of the main areas of expansion - the growth of the salons, our educational activities, and product line. They are vital to growing the business. These are make-or-buy appointments, but the main problem is that we don't have any experience in recruiting at that level."

If he gets it right, the training academy, global salon chain and hair care lines can form a cross-promoting combination with potentially huge rewards.

The plan is to establish a business with sales "in the tens of millions" in the next five years and a brand that could one day be worth far more, said Van Clarke.

"There's a huge middle class developing around the world," he said. "The opportunities are growing all the time. Russia and the Far East are very different places today than they were even five years ago."

EXPERT VIEW

David Gould
Commercial director,
PC World Business

Michael Van Clarke has the opportunity to change the hairdressing industry, and with clever use of technology, he may just do it.

He should tap into the *Apprentice* spirit, where everyone wants to be an entrepreneur. By identifying ambitious prospects, he can help nurture their business skills with subsidised college tuition and hands-on learning. He may even be able to charge trainees for the privilege.

Identifying potential candidates



can be difficult. Van Clarke can use the internet to great effect, having an online recruitment campaign. He can also partner with hairdressing schools to get applicants. One bit of software that many large organisations use is a web-based evaluation programme.

This will put potential candidates through a short assessment that will eliminate unsuitable candidates and time-wasters.

With this model, Van Clarke can also develop an international exchange programme, help him establish salons overseas and identify potential business partners, investors and salon owners.

Janet Robbins
Business adviser,
Business Link Berkshire

Michael Van Clarke must be very clear about the core assets of his business. He has three potential growth strands. All of these could be successful but, equally, they could represent a high risk to the existing business. He could consider reducing risk by entering into partnership with an existing successful training academy. Van Clarke would provide the brand name to create a centre of excellence.

He is right; he needs a strong management team. To achieve



this, he could appoint a non-executive director to advise on his business model.

Talent management is a critical success factor as Van Clarke strives for competitive advantage.

High performance cultures should be fun cultures where individuals believe in themselves and each other. Fun, combined with long-term gains, will increase retention.

Talented managers and stylists could be given a real incentive to stay and grow the net value of the business. For instance, offer share options with a guarantee that, if the business is sold, they would realise financial benefit.

Sonia Wolsey-Cooper
HR director,
AXA

Hairdressing is a personal contact business. Clients buy in to the calibre and personality of the stylists. Brand helps, but only if quality people consistently deliver "what it says on the tin".

Michael Van Clarke's three-pronged strategy covering a training academy, global hair salon and hair care products needs strong leaders for each. Limited liability partnerships offering an equity stake provides an enticing prospect of achieving significant



personal wealth on the back of success. This should help attract the entrepreneurs he needs. A string of limited liability partnerships also provides an expandable model.

However, Van Clarke should get a good lawyer and a clear agreement of exit and valuation rules right from the start. Put in non-complete restrictions on leavers.

Keep control and copyright over brand and products. Get recruits to show commitment by investing some money. Use industry contacts to headhunt the right people and get the training academy working well before expanding.

SECRETS OF SUCCESS

Lifestyle manager on the road to becoming the 'Virgin of luxury'

By **Jamie Oliver**

"IF YOU believe in what you're doing and are confident, you will bring people with you. My other piece of advice for the early days of running a business is don't spend money if you can help it."

These are two reasons why Aaron Simpson's Quintessentially brand will, by the end of this year, reach 70 countries and the business will employ 1,500 people.

It's been a phenomenal seven years for Simpson and co-founder Ben Elliot. Initially started as a London-based club, the "lifestyle management" business now offers a wide range of services to

its rich and famous members, from wine and chauffeurs to a property search service and exclusive holiday destinations. Simpson says the aim is to become "the Virgin of luxury".

There are hundreds of concierge-type businesses catering for the needs of the rich and famous. Where Quintessentially differentiates itself is in its top-end offering and global outlook. Few competitors boast offices in Mozambique, Jeddah, Panama and Istanbul.

"In the beginning it took a lot of hard work and late nights convincing restaurants, clubs and other businesses to work with us,"

says Simpson. "A lot of these places have their own lists of important clientele and didn't need us. But we convinced them, and now if a well-known restaurant has, say, a late cancellation for 12 people, they ask us if we can help them fill it."

Simpson says they realised early on that in any one city there are between 50 and 100 people you need to know. "A lot of the top restaurants or clubs will be owned by a few people," he says, "so it was our mission to get to know all the important people."

Having a celebrity-heavy membership list also helped. And key to the business plan was



Simpson: celebrity membership

getting on board as many opinion-formers as possible.

"We've had a lot of press because we looked after a lot of famous people," Simpson says. "From singers to footballers, high-flying business people to royals."

Jemima Khan says she's "an ardent fan", Sophie Dahl says the company is "fantastic at organising all the things that you don't have the time (or the inclination) to do yourself", and Coldplay's PA calls Quintessentially "indispensable".

One reason, Simpson says, why the business has done well is down to the people it employs. "We encourage people to have a

go. If they get it wrong, then that's a lesson learned. If they make the same mistake twice that's another matter, that's not excusable."

For many firms, expanding this quickly causes problems, but Simpson sees it as a positive. "By the end of 2010 we aim to be in 100 countries. That will make us pretty bulletproof in terms of problems in any one country, but then I think we already are."

"The people we deal with always have money to spend and although in certain countries the gap between rich and poor is growing, there are more and more people with money who want a company like ours to help them."

What's new for club members this week

Book of the week

In *Brilliant Negotiations: What Brilliant Negotiators Know, Say and Do*, Nic Peeling explains the key strategies and phases of negotiation, provides many examples of right and wrong approaches and includes insider tips. This book normally sells for £9.99, but you can buy it via the Club Bookshop for £6.49.

Better Business

Club members can now download *Better Business Focus*, a guide for managers and entrepreneurs. It focuses on recruitment, coaching and development; marketing and selling; technology and the internet; and new skills and techniques. In the February issue, John Stanley looks at how businesses can prepare for a tough 2008, Paul Stone looks at leadership and Andy Preston talks on franchising. Click on Business E-zine in the member benefits column on the homepage.

Geek speak

UK Online and the Institute of Directors have issued a phrasebook for all technophobes. Its guide to IT "geek speak" explains everything from VoIP to instant messaging and migration authorisation codes to a contention ratio. Go to the technology section to read more.

Prize winner

The winner of the Business Advisory Service competition to win £2,000 worth of electricity is The National Childminding Association. "As a charity, reducing our bills in any way means we can use our funds to further support childminders, nannies and families," said head of facilities Caroline Hatchell.

Business Clinic

Club member Andrea D'Ercole, from Sunderland, has a business importing and selling Italian wine and food. "I have just relaunched my website," he wrote on the Business Clinic. "My problem is that it does not get many visits. How can I improve it? I don't have a big marketing budget." He said he ranks on the third listings page in Google. Michael Dean, from the National Computing Centre, said: "Many people don't get past the first page of search results, so being on page three reduces traffic. Make sure your keywords are ones that users actually use, however bland they may be. Update your content frequently as Google ranks activity highly." To read more or to add your own question, log on to the Business Clinic.

Training concerns

The Chartered Management Institute claims businesses have a misplaced confidence in their ability to cope with current market challenges. It has found that SMEs are failing to focus on areas of the business that are most needed in an unstable economy. Only 32pc, it says, think professional training and development was important to their organisation. This figure came despite nearly two as many suggesting that skills and talent management is one of the key challenges facing UK employers. "During economic uncertainty, it is common to make cuts to the training budget, but in most cases this is a significant mistake in the longer term," said the CMI's director of marketing and corporate affairs, Jo Causon. Go to the people section to read more.



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