

Think Ahead

ACCA

STRATEGIC BUSINESS LEADER

PRE-SEEN INFORMATION

Applicable for the June 2026 Exam

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1. Introduction

Denis & KoKo (DKK) is a hairdressing business in Kayland, a developed country with a stable economy. It is the third largest business in the industry in Kayland and has been established for 40 years.

2. Hairdressing industry in Kayland

Overview

The hairdressing industry provides services to men, women and children (clients).

The services are provided to clients in shops, which are known as salons, by trained staff (hairdressers), who are supported by trainee hairdressers (assistants). Salons are managed by salon managers. Some salons employ receptionists.

Market structure

Hairdressing is a very large and competitive industry in Kayland, employing 259,200 people (just under 1% of the working population of Kayland). It is very fragmented, mainly because there are low barriers to entry.

Over 99% of hairdressing businesses are small, independent businesses with just one salon and a maximum of ten members of staff. The remaining businesses are either local chains operating two to four salons in a particular town or city or region and national chains with five or more salons.

No single business dominates the market. The three largest businesses are national chains and generate less than 3% of total revenue between them. Over 98% of hairdressing businesses have revenue of less than \$500,000, which is below average business revenue in Kayland.

There are three different types of client experience offered by businesses in the industry: basic, good, excellent.

Type of client experience	Level of service	Services offered	Experience and skills of hairdressers	Salons	Prices
Basic	Low	Only a small range of services	Basic skills and little experience	Simple interiors and basic furnishings	Cheap
Good	Satisfactory	Most services	Average levels of skills and experience	Pleasant interiors and comfortable furnishings	Reasonable
Excellent	Premium	Full range of services	Highly skilled and very experienced	Luxurious interiors and high-quality furnishings	High

Halo Hair is the largest chain, has 203 salons and provides a good client experience. The second largest chain, Trimz, has 85 salons. It provides a basic client experience. DKK, the third largest chain, has 50 salons and provides an excellent client experience.

In Kayland there is an increasing interest among the population to look and feel good, and this is fuelling growth in the number of hairdressing businesses.

Staff

Types of staff	Details
Hairdressers	Hairdressers provide hairdressing services to clients. They also supervise and help to teach trainees in the salon.
Assistants (Trainees)	Assistants are training to become hairdressers. They may be studying at college and/or be working under the supervision of a hairdresser in the salon to learn hairdressing skills. They also wash clients' hair and perform cleaning tasks, such as sweeping floors, which enables more efficient working as experienced hairdressers do not spend time carrying out lower-skilled tasks.
Salon managers	Salon managers spend a proportion of their time managing a salon and the remainder of their time providing hairdressing services (as they have training and experience as a hairdresser). Salon managers of small, independent businesses are the business owner.
Receptionists	Receptionists are employed by larger salons and salons known for premium levels of client service. They are not trained as hairdressers. They book appointments as well as greet clients, serve them refreshments and take payments from them.

Training and skills development

A range of training routes and qualifications for assistants are available in the industry, but they are not mandatory. These include college courses linked to 'on-the-job' training in salons. Larger chains have their own training academies.

Many hairdressers continue to develop their skills during their career. The training academies of the larger chains also provide continuous professional development (CPD) opportunities for their hairdressers. Hairdressers can also access CPD at conferences and seminars. These are often run and/or sponsored by global haircare product brands. In general, the more practical experience a hairdresser has and the more training they do, the higher their hairdressing skills.

Hairdressing competitions, both national and international, provide hairdressers with the opportunity to demonstrate their skills. Winning a competition has a significant positive impact on a hairdresser's reputation within the industry and with clients. Some hairdressers use social media platforms to showcase their skills, engage with current and potential clients and promote their services.

Services

Services	Details
Washing	Washing, drying and, where requested, styling hair (for example, creating temporary curls using heated hair styling tools)
Cutting	Styling the hair by trimming or cutting it
Perming	Creating permanent waves or curls in hair using chemicals
Colouring	Changing the colour of hair temporarily or permanently using chemicals
Straightening	Converting wavy or curly hair into straight hair using chemicals
Grooming	Shaving, and beard and moustache trimming

Services are often combined. For example, a client may have their hair washed and cut.

Clients usually book appointments for services in advance and pay for services at the time of delivery.

Some salons specialise in particular services such as grooming. Services offered will also be impacted by the demographics of the local population. For example, younger clients often want to experiment with colour and so there are several salons specialising in colour in the major cities where many young people live.

Small single salon businesses and local chains tend to be open five days a week between 0900 and 1700 hours. Regional and national chains often have larger salons and so more staff and may open their salons six days a week and/or for longer hours

In most salons, all hairdressers perform all services offered, however, in the largest salons, individual hairdressers often specialise in, for example, cutting or colouring.

Hairdressing businesses derive, on average, 95% of revenue from providing hairdressing services. Some businesses also sell haircare products (such as shampoos and conditioners) and hair styling tools (such as hairdryers and brushes). These retail products are only available in hairdressing salons. They are frequently marketed as 'professional hairdressing use only' and hence attract a price premium. The haircare products sold in salons are also used on clients in the salon and businesses use a variety of techniques to increase retail sales. These include in-store and salon window displays, paying commission to hairdressers who recommend the products to clients and giving samples of products to clients.

Pricing and costs

In general, prices for services vary in line with the time taken to perform a service. The price for cutting hair is therefore usually less than the price for colouring hair, as it takes less time.

Prices for a particular service in a salon will also vary depending on the length of the client's hair and the skills and experience of the hairdresser. Businesses can charge premium prices for the services of hairdressers who are highly skilled, who have a large social media following or who win national or international hairdressing competitions.

Many salons offer discounted prices for students and older people at certain times of the day or on days of the week when demand for appointments is low.

The cost of labour is the principal variable cost in the delivery of hairdressing services and is on average 50% of revenue. The margin on different services therefore depends on the proportion of the time taken to perform a service which involves a hairdresser. Cutting and grooming services are low margin as a hairdresser is involved throughout the entirety of the service. Colouring and perming services are high margin as the labour cost is low in comparison to the time taken to perform the service. These services involve the application of chemicals to clients' hair, which need to be left on the hair for specified periods of time to take effect. During these periods, the hairdresser can therefore deal with another client.

Variable costs of delivering hairdressing services also include the cost of the products used on the clients' hair (shampoo, chemicals and so on) and the water used to wash clients' hair (water in Kayland is charged for based on the amount used).

Other costs of running a salon include rent, heating and lighting, insurance, marketing and the cost of any haircare products and hair styling tools sold to clients.

The margin on retail products is much higher than those for hairdressing services.

Critical success factors

Clients choose a salon based on factors such as price, location and the skill and experience of the hairdressers and expect the salon to offer a clean and inviting environment. Although a small proportion of clients will travel a long distance to their preferred salon, most clients select a salon in their local area.

Successful salons have a number of characteristics:

- Staff are skilful, experienced and regularly undertake CPD.
- Locations are in areas where there are lots of people, which encourages 'walk-ins' (clients who have not booked an appointment in advance).
- There is easy access by public transport and car parking nearby.
- Their managers have good business knowledge.
- Appointments are easy to book and start on time.
- Pricing is transparent.
- High-quality haircare products are used.

Some retail products have a strong brand reputation which draws clients to a particular business. If a business itself has a strong brand, clients are more likely to choose that business over a competitor, even if the prices are the same. However, strong relationships are often formed between clients and hairdressers over time and if a hairdresser moves to another local business, clients may move to that business too.

Challenges within the industry

There are very high levels of competition within the industry, principally because barriers to entry are low: the industry faces little direct regulation and start-up costs are not significant.

Another competitive pressure on the industry is good-quality haircare products and dyes which can be purchased easily, and relatively cheaply, from retail outlets. Individuals can use them in conjunction with step-by-step internet video guides to apply them successfully at home rather than visiting a hairdressing salon.

Currently, more than half of businesses have unfilled vacancies, often because hairdressers are leaving to set up their own businesses. These vacancies take a long time to fill due to a lack of candidates with the required skills and experience and because fewer people are entering the industry, which also means there is a shortage of assistants.

Three-quarters of salons still use paper systems to record appointments and hence clients book appointments by phone or in person. 'No-shows' (clients who fail to keep pre-booked appointments) are a huge challenge for the industry. Paper systems also make it easy for appointments to be double booked (which means the appointment is inadvertently allocated to two or more clients).

Salon operational efficiency is also negatively impacted by the lack of business awareness of many business owners/salon managers, who have a background in hairdressing rather than business.

The industry's revenue is volatile and is dependent on economic conditions as these affect how much clients will spend in salons and how frequently they will visit salons.

Hairdressing has a huge environmental impact. Waste includes plastic bottles and cotton wool but only 20% is recycled. Chemicals used in hairdressing services are often hazardous to the environment if not disposed of correctly. Salons use an enormous amount of water and electricity each day, resulting in significant levels of greenhouse gas emissions (including CO₂).

Innovation and developments

Environmentally conscious clients are increasingly demanding eco-friendly practices and products. Sustainable haircare brands, which minimise environmental impact, are gaining popularity.

Technology is revolutionising the industry.

- Online booking systems remove the risk of double bookings. They can send SMS reminders to clients, reducing the likelihood of no-shows.
- Specialised salon management software incorporates inventory management, client information and digital scheduling.
- Augmented reality applications provide clients with realistic previews of hairstyles before committing to a specific look.
- Social media solutions and online loyalty programmes/rewards schemes (marketing initiatives which are designed to incentivise repeat business and foster long-term relationships) can be used to attract and retain clients.

Key performance indicators (KPI)

Businesses in the industry use a range of KPIs to monitor and control performance, including:

KPI	Comment
Appointment booking rate	This is calculated as appointment hours booked as a proportion of appointment hours available. An appointment hour available is an hour during which a hairdresser is available to provide services. Total appointment hours available in a business therefore depends on the number of hairdressers employed and the hours they work.
Revenue per appointment hour booked	Those businesses which sell retail products to clients split this into hairdressing services revenue per appointment hour booked and retail sales revenue per appointment hour booked.
Client retention rate	This is calculated as the proportion of clients at the beginning of a specified period of time who have returned for another service by the end of that period of time.
Staff satisfaction	A variety of methods are used in the industry to calculate this KPI.

Industry body, industry standards and legislation

The hairdressing industry in Kayland is unregulated. There are no legal or statutory requirements for businesses to be licensed or for hairdressers to hold specified qualifications.

Hairdressing businesses, like all other businesses in Kayland, must comply with employment, health and safety, consumer protection, competition and data protection legislation and obtain the necessary permits and licences to operate from the local government. In addition, because many hair products contain chemicals which can cause allergic reactions when applied to some individuals, businesses are legally required to carry out an allergy test (known as a patch test) before certain types of hair product are first used on a client.

The Hairdressing Standards Association (HSA) is an independent industry-created body which aims to raise standards and improve professionalism within the industry by encouraging every business to join the Kayland Hair Salon Register. Individual salons are assessed against objective criteria and rated accordingly. If a salon meets a set of minimum standards, it is given Registered status. Thereafter salons are rated as Good, Very Good or Excellent. Only those salons which provide very highly skilled and experienced hairdressers, exceptional levels of client service and exceed all Kayland health and safety requirements are rated Excellent. A business's size has no impact on the ratings of its salons. Most Halo Hair salons are rated Very Good, while Trimz's salons tend to be rated Good. The rating of all DKK salons is Excellent. The HSA reviews ratings on a regular basis.

The HSA also provides a range of qualifications which are offered as part of college courses and in the training academies of larger chains.

The HSA hosts the prestigious and popular annual HSA Hairdressing Exhibition. The event is heavily attended by the press and key influencers within the industry. Celebrity hairdressers (such as hairdressing competition winners and those with large social media followings) provide demonstrations, hairdressing businesses showcase the skills of their hairdressers and new haircare products and styling tools are launched.

Most staff employed in the industry are members of the National Hairdressing Union (NHU), which looks after the interests of its members at work, for example, negotiating agreements with employers on working conditions and supporting members in legal proceedings against employers.

3. Denis & KoKo Ltd

Background

Denis & KoKo (DKK) is a hairdressing chain in Kayland providing a premium level of service. It was started by a husband and wife 40 years ago. They met while working in the same hairdressing salon and decided to start their own business.

The business has grown organically and through acquisition of individual salons and small chains. It is currently the third largest hairdressing business in Kayland. The founders have retired from the company, although Denis is the non-executive chair of the board.

At 31 March 20X6, the business had 50 salons, 390 hairdressers, 155 assistants and 60 receptionists, as well as 62 staff in the head office.

Ownership and financing

Denis and KoKo are the majority shareholders of DKK. The remaining shares are owned by members of their family and several other private individuals.

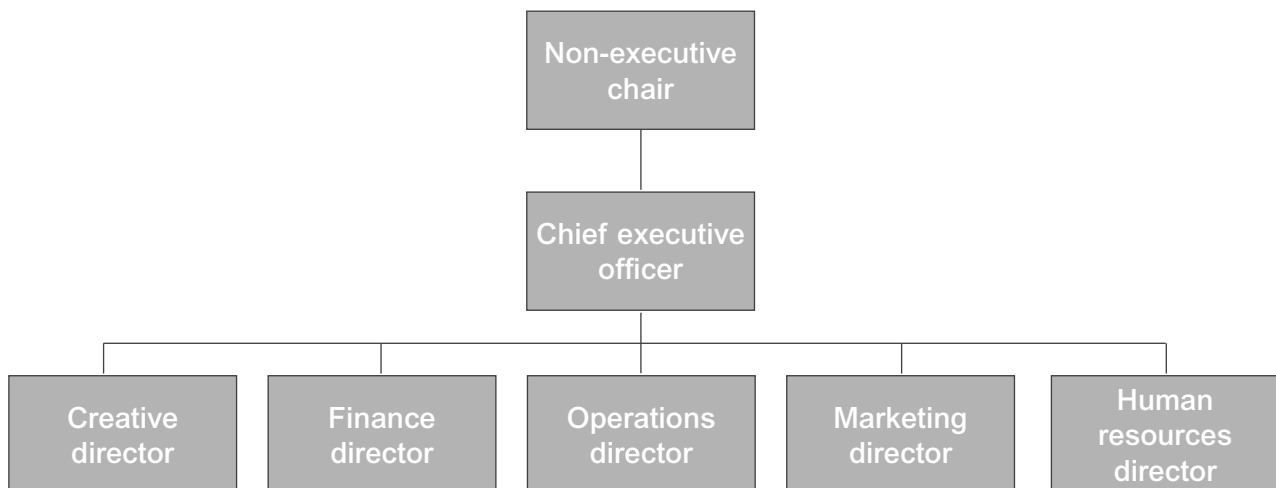
Although DKK is not listed on the Kayland stock exchange, governance arrangements are consistent with good corporate governance. However, as a non-listed company, the directors made the decision not to have audit, nomination and remuneration committees. An internal auditor reports to the finance director.

Key stakeholders

- | | | |
|----------------------|--|---|
| – Shareholders | – Hairdressing Standards Association (HSA) | – National Hairdressing Union (NHU), to which most staff belong |
| – Board of directors | – Government – national and local | |
| – Staff | – Local communities | |
| – Clients | | |
| – Suppliers | | |

Board and organisational structure

The structure of DKK's board is as follows:



DKK's salons are divided into five regions, with each region having a regional manager who reports to the operations director.

Salons are managed by salon managers, who split their time between hairdressing and management. They report to, and are closely controlled by, a regional manager and hence have relatively little autonomy. DKK has a policy of internal promotion to the position of salon manager where possible.

Brand position

When Denis and KoKo started their business, they wanted to provide their clients with a more luxurious experience than was available in other salons, believing there was a gap in the market for a premium offering.

Features of its offering which continue to differentiate it from the two largest chains in Kayland include:

- Luxurious salons with premium facilities, in prime locations in wealthy neighbourhoods of towns and cities across Kayland
- High-quality, personalised client service
- Expert hairdressers, who are required by DKK to hold the full complement of HSA qualifications and meet high standards for CPD every 12 months
- Exclusive product partnerships with prestigious brands

Although an expanding regional chain, as well as an increasing number of individual salons, are now successfully replicating some or all aspects of DKK's offering, it is still the most well-known premium hairdressing brand in Kayland, and loyalty to the brand is strong. Its clients, who tend to be from the wealthiest demographic of Kayland's population, are willing and able to pay a premium price for its services. Given this client base, DKK is more immune to downturns in the Kayland economy than most hairdressing businesses.

Services and products

DKK's salons open between 0900 and 1700 hours, Monday to Saturday.

Included in DKK's premium client service are free-of-charge, in-depth consultations offered to new clients in advance of their appointment, which is one reason for DKK's salons' Excellent

grading from the HSA. These consultations give clients the opportunity to chat to their hairdresser face to face about their hair and how they want it to look and for the hairdresser to assess their hair type and provide personalised advice. Regular clients have shorter consultations at the start of their appointment. DKK does not accept walk-in appointments.

As well as consultations and personalised advice, DKK's services include (according to its marketing literature):

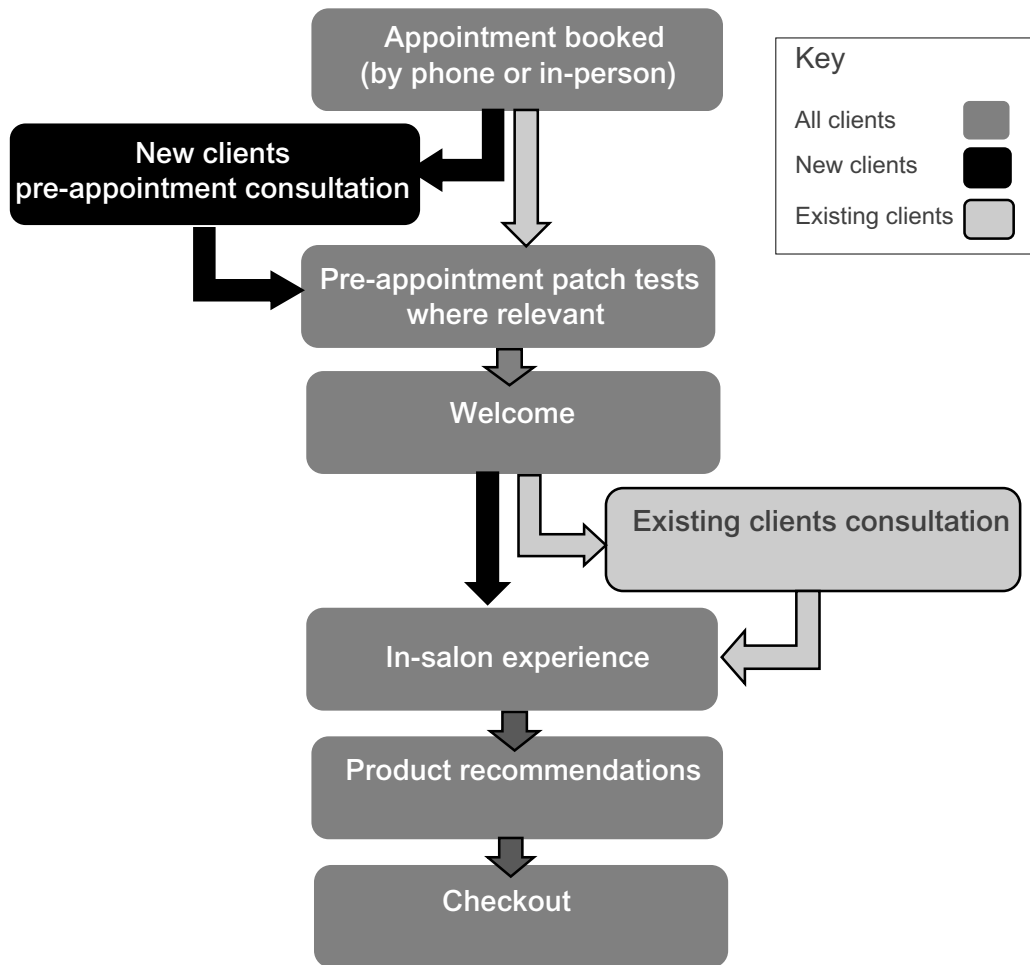
- Haircuts tailored to specific hair types and textures
- Customised colouring
- Perming and straightening with greatest care
- Specialised haircare products
- Top quality, premium hair styling tools

All DKK salons are able to offer the full range of services as the number of staff in each salon, and their skill set, is approximately the same.

DKK has exclusivity contracts with two very large internationally recognised organisations, which supply hairdressing businesses around the world. One contract is for the supply of haircare products, and one is for styling tools. These exclusivity rights mean that only DKK can sell these items in Kayland. The products are popular with clients and DKK aims to obtain 6.2% of its total revenue from retail sales. It achieved this KPI for 15 consecutive years until the proportion dropped to 6.1% in the 12 months to 31 March 20X5. The business expects its hairdressers to make haircare product recommendations to all clients, but there is no commission for hairdressers on retail sales. The close relationships DKK hairdressers build with their clients and the trust their clients put in them ensures recommended products are usually purchased. As well as selling the products to clients, individuals who are not clients also visit the salons to purchase the products. Tasteful window displays ensure those passing DKK's salons who are not clients are aware of the quality products available.

DKK owns the buildings of some of its salons but rents most of them. The salons are a key component of the overall premium service offering and the size, layout and internal decoration and fixtures and fittings of each is similar. Premium facilities of DKK salons include their luxury reception areas where clients are personally welcomed by a receptionist, offered refreshments while they wait for their appointment and where they can browse the retail products available. DKK aims to refurbish salons (replace or repair fixtures and fittings, paint and decorate walls and so on) approximately every three years.

Service process



Suppliers and costs

As well as the two exclusivity contracts for haircare products and styling tools, DKK sources branded uniforms, towels and robes from a supplier based outside Kayland. Individual salons contract with local small laundry businesses, which collect towels and robes at the end of each day and return them washed, dried and ironed a few days later.

Information systems and use of technology

A paper-based appointment booking system is still used in salons, with appointments recorded in appointment books. Salons also maintain a computerised record for each of their clients which details services they have received and the specific hair products used on their hair.

Salons maintain manual records for inventory levels of retail products and email head office with inventory needed. Head office places retail product orders with suppliers, as well as orders for branded uniforms, towels and robes.

DKK's website provides information about the company, its ethos, its service offering and its 50 salons. There is no functionality to book appointments or purchase retail products online. Individual salons engage in social media activity on a limited basis and focus on highlighting their hairdressers and their skills.

Risks

DKK maintains a risk register. The key risks on the register are currently:

- Competition from existing and new businesses
- Lack of suitably skilled and experienced staff
- Damage to reputation, for example, from health and safety incidents
- Energy and water price volatility
- Sustainability concerns of clients
- Availability and price of products supplied under the exclusivity contracts
- Limited use of social media

DKK website extracts

Mission	To provide our clients with an indulgent and luxurious hairdressing experience while creating for them a hairstyle as individual and stunning as they are.
Vision	The Denis & KoKo brand evokes the very best in hairdressing.
Values	Commitment – We surpass expectations, every time. Integrity – We are honest and transparent with our clients and with each other. Citizenship – We care about the communities in which we live and work. Happiness – We aim to make our clients and each other happy. Sustainability – We are intent on protecting the natural environment.

Financial and non-financial information – selected summary

DKK's financial year end is 31 March.

