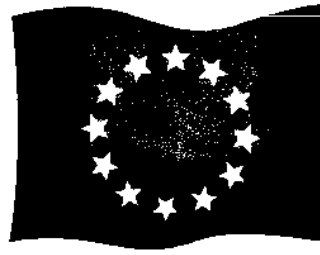


EUROPE AND US



New Europe for me as

HAIRDRESSER

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Using example of EUROFIT Austria

1. EFFECTS OF EU ENTRY ON HAIRDRESSER

1.1 Free movement of goods

Hairdresser will have access to all products available in EU

Since 1. 1. 1993 as EU treaty came into force all goods produced legally (e.g. according to health and security restrictions and rules) in one EU member state must be put in circulation and have to be admitted in the new member states as well.

This means for the **xxxxx** hairdresser an enlargement of care products assortment that were sold before only in EU states for various reasons.

Parallel imports will be possible so tradesmen will not be so closed connected with their suppliers. The competition between tradesmen will raise and this will cause decline in purchase prices and that is why imported goods will be sold at wholesale for lower prices.

Therefore hairdresser can count on more convenient prices of all care products on the assumption that suppliers will pass this price reduction further on hairdresser.

1.2 Freedom of establishment

In EU will be only 3 of 1.000 Start-ups Established by citizens from Another EU Member country

xxxxx hairdressers may pay special attention to establishment freedom after EU entry:

They have fear from the possible raise of competitive start ups established by citizens from another EU member country due to the right of all EU citizens to establish themselves (under certain presuppositions, that are in discussion) in any EU member country.

There seems to be no reason for this fear if we consider number of establishment in another member country after any previous enlargement of EU. The number of start-up enterprises established by citizens from another EU member country is only about 0.3% of all start-ups and it makes 3 of 1000 enterprises.

In **xxxxx** will also arise no structural change after EU entry due to strong family and social connections to the native country and also due to already existing customers or language barriers (especially in hairdresser services where communication with customer is of a big importance) that all will have negative effects.

The access to employment for foreigners:

Since EU treaty came into force every hairdresser can settle down a business in any EU member country, if he meets conditions of the aim country where he wants to settle down. This should reach equalization of country residents and foreigners in every EU member state.

However, according to each state regulations hairdressers must prove at least following:

1. A continuous 6-years activity in the profession on self-employment basis or as a manager at minimum age of 26 years

OR

2. A continuous 3-years activity on self-employment basis or as a manager, if craftsman can prove previous at least 3-year education in the profession and he can submit a state certificate or another certificate recognized as adequate for the profession by a responsible professional association.

OR

3. A continuous 3-years activity on self-employment basis or if the craftsman can prove at least 5-years activity as an employee in hairdresser profession and is at least 23 years old.

For 1st and 3rd presupposition may described activity not date back any longer as 10 years.

Already today it is possible to settle down in **xxxxx** by establishment of a private limited company with an authorized **xxxxx** officer However, this opportunity is used only very limited due to previous mentioned social and language barriers.

The current situation of new market entries of large enterprises will not change considerably from legal point of view because these enterprises run their business preferably in form of a private limited company.

As well there are expected no considerable changes in number of franchise chains subsidiaries in near or far future, even when the number of chains increases. The reason for this is that franchisee has to take full responsibility for economic results.

1.3 Labor and social law

EU labor and social law regulates following legislation areas:

- Free choice of work
- Social security of migrant workers
- Equity of remuneration for men and women
- Work environment
- Health and safety of employees
- Mass staff suspensions in large enterprises
- Dismissal and resignation protection

and complaints and claims regarding the basic right on equal remuneration.

All other compulsory labor and social regulations refers to border crossing affairs.

To be allowed to settle down on a self-employment basis in another EU country, some preconditions have to be fulfilled

In labour and social EU regulates only separate compulsory minimal regulations Each EU country is allowed to have more strict rules

These regulations are always setting only minimal compulsory terms that have to be met. Every EU member state is released to set stricter or special regulations and requirements.

Working hours remain after EU enlargement regulated by national law.

Hairdressers' working hours may be shortened as the result of external competition pressure.

But if representatives of hairdressers' branch in negotiation with social partners shorten working hours to have an advantage in other areas so this has nothing in common with an EU entrance.

1.4 Tax legislation

EU
standardized
tax legislation
valid in **xxxxx**
After full
membership

The value added tax rate in EU will be, for example, at least 5% (or 15%) and every member state is allowed to apply higher tax rate.

1.5 Opening time

Opening
hours remain
regulated by
National law

The opening hours will remain also after EU entrance in competence of national law considering negotiations of social partners. However, serious changes in this field are not expected.

2. CHANGES AND RISKS FOR THE **xxxxx** HAIRDRESSERS WITHIN EU

Hairdresser
competition
independent
from EU entry

Future chances and risks for hairdressers will be derived mainly from the customer behavior that is independent from EU enlargement.

Customer
royalty more
important
success factor
in the future

Price competition between enterprises will be more intensive due to price liberalization of hairdresser services and always increasing salaries in this sector. So hairdresser should pay more attention on such competition strengths as customer loyalty or proximity to customers.

Chances to succeed in EU have all such hairdressers who will be able to satisfy customers through good quality, care and advice as well as by targeted marketing (advertisement activities and special offers for certain fashion tips in population) and to make customers loyal to the enterprises through calls, letters, congratulations.

Special attention has to be paid to further increasing polarization of customers: the customer with willingness to pay high amounts of money for high qualified service and opposite to it, customers who want convenient prices and have relatively low requirements on service quality.

Intensive marketing approach must be always supplemented by work efficiency and utilization policy. Hairdressers who will not be prepared to stronger opened competition and who will not react active to needs of target customers they will have to face much more risks. They will not be able to use potential demand resulting from increasing salaries and therefore increasing purchasing power.

Hairdressers unprepared for competition unable to use their potentials

The fear of large number of hairdresser start-up enterprises as a result of EU enlargement is unfounded: They are already today present in form of franchise and chains enterprises and they number will remain constant in the future.

Fear from large number of start-ups from other EU counties is unfounded

Separate hairdresser enterprises from other EU member countries will not have much interest to come to **xxxxx** hairdresser established for a long time in another country would have to have serious reasons to leave his country nevertheless language barriers and to start-up his business in **xxxxx**!

To conclude, hairdressers have really not to be scared of EU enlargement.

Customers will be more and more critical in next years and competition will be always more intensive due to increased number of franchise and chain enterprises but this tendency is independent from EU enlargement. Consumer will have higher requirements on services and therefore on you. That is why you should already now make your enterprise stronger concerning changing market conditions and now develop individual concept for the future!

EU offers chances for hairdressers adaptable to future market conditions

3. QUESTIONS

To define chances and risks of the business and to draw from it the correct conclusions means, to answer as precise as possibly a multitude of questions, which refer:

- * to the analysis of an own enterprise and his position in the competitive environment,
- * to the developing goals
- * to the appropriate strategies and measures.

Chances and Risks can be after all defined only individually

Appropriate questions for the enterprise or competition analysis can be, for example:

- * What kind of products / services do we offer?
- * What can we do we particularly well?

- * With what kind of products do we achieve what kind of results?
- * With what kind of customer groups will we handle?
- * By what kind of customer groups do we achieve what kind of results?
- * What is our market?
- * Why do we restrict our performance to this market?
- * Which kind of advantages and disadvantages does have our location?
- * Who are our strongest competitors, measured by the capital or sales?
- * Which of our competitors are the most innovative?
- * Which are our most important strengths and weaknesses?
- * Which planning and control instruments are available for us?
- * What accuracy has achieved our pre calculation in comparison with post calculation?

Questions to the developing goals can be for example:

- * What are our substantial strengths that we can sell to our customers particularly well and that can distinguish us clearly from our competitors?
- * Why would customer choose our product even if the distance would be bigger?
- * What chances do we have by export deliveries to the previous target groups?
- * What chances have we if we want to attend new export target groups or delivery chains?
- * Which additional costs appear, if we perform our services to the more distant customer?
- * Which target groups do we want to address more intensively / particularly / exclusively?
- * Which products or product groups should be further supported / launched?
- * Which service performances should we strengthen?
- * Which marketing activities can strongly influence our sales?

Questions to the definition of appropriate strategies and measures are, for example:

- * What do we have to do in order to achieve our goals in for example these areas?
 - Customer relations
 - Offered assortment
 - Service performance
 - Marketing and advertisement
 - Cost structure
 - Planning and control
 - Calculation

- * Who is responsible for the execution of the measures?
- * What deadlines do we have to pay attention to for the separate measures?
- * Who is responsible for coordination and control of the specified measures?