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# Hair Today, Hair Tomorrow

**H**ousing values may plummet. Retirement funds may shrink. Hurricanes may howl maniacally and exotic viruses may spread unchecked. But despite manmade and natural disasters, hair still grows, and people still need pampering. So no matter what the state of the economy and the world we



live in, it's still a good time to start a hair salon and day spa, and the prospects for "shear" success are excellent.

According to the Professional Salon Industry Haircare Study, there were 288,000 hair salons in the United States in a recent year. The salon service industry had revenues of \$75 billion in a recent year, which included \$20 billion generated by hair cut services and \$7 billion by retail hair care product sales. In addition, the U.S. Department of Labor Bureau of Labor Statistics reports that the demand for trained cosmetologists will continue to grow through 2022.

How is it possible for a service sector like the beauty industry to continue to thrive despite the fluctuations of the economy? No doubt because many of the services offered by salons simply can't be duplicated at home—or at least not duplicated well. In addition, in an age where people freely shell out \$5 for a cup of coffee, the price of a haircut probably doesn't seem very high considering the lift it can give your spirits. Also, the baby boomers, who are still the largest population segment in America, are more than willing and are still financially able to spend money on any personal care service they perceive will make them look younger and more attractive. No doubt as a result of their driving desire for a youthful appearance, the hair color segment of the salon industry continues to grow, according to Professional Consultants and Resources, a Plano, Texas, marketing and consulting firm. Color alone brought in \$750 million for hair salons in a recent year.

The spa industry also is faring well. According to the International Spa Association, the U.S. spa industry had revenues of \$14 billion in a recent year, generated by 160 million spa visits. It's estimated that 47 percent of spa-goers are men.

## Earning Potential

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What all this prosperity means to you is that the prospects for people who own personal care businesses are bright. A recent Job Demand Survey, distributed by the National Accrediting Commission of Cosmetology Arts and Sciences, indicated that average total income (including tips) for salon owners was \$53,150, although it's possible to earn much more depending on where and how you do business. For instance, two salon owners interviewed for this book earned \$120,000 in a recent year.

A search of the internet revealed that there's no definitive data on salon/spa owner salaries. Rather, different sources report sometimes widely disparate figures. So suffice it to say that total wages and salaries for the estimated 343,000 employees in the spa industry were almost \$5 billion across the entire industry in a recent year.

# A Look Back

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With the possible exception of the wild and wooly cavemen (and women), humans have always been interested in their personal appearance . . . and their hair. The earliest record of personal hair care dates back 2.5 million years ago, when brushes used to create cave paintings in Spain and France were adapted for use in hair grooming. More recently, archeologists have found evidence that cosmetics were used by the Egyptians as early as the fourth millennium B.C. (for proof, just check out the golden sarcophagus of the boy king Tutankhamen with its heavily painted visage), as well as ancient artifacts of eye makeup.

Although hairdressing techniques have evolved throughout the ages, some things have stayed the same. Primitive men, including Native Americans, tied feathers, beads, and other objects into their hair, which they wore long and flowing to denote status and intimidate enemies. Persian noblemen curled their hair and beards, and even used henna to stain them red. Men often wore wigs throughout the ages, including during the 18th century when their wigs were powdered and styled with queues, or long ponytails, that hung down their backs. Women were equally fashionable throughout history, using yellow soap to dye their hair blonde in republican Rome, or coiling their tresses into styles that at times were covered by cauls, a type of hairnet, or embellished with jewels or golden ornaments.

Interestingly, many of the innovations in hair design that are still with us today originated in the late 19th century. The Marcel wave, also known as the finger wave, was first created around 1890 using heated irons. The hot-blast dryer, which evolved into today's blow

dryer, was also invented at that time. Madam C.J. Walker, a former slave, formulated products that could soften and straighten the hair of black women. She later became the first African American woman to earn \$1 million. The first electric haircutter, consisting of a comb with a platinum wire that was heated and used to burn off the ends of the hair, was invented around the turn of the century.

## Fun Fact

The first known school for hairdressing in the United States was established in Chicago in 1890.



# A Look Forward

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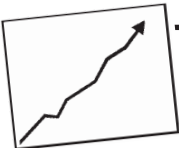
It wasn't uncommon for hair to be scorched by hot tools until it was the texture of coarse wool. Nowadays, hair-care techniques are much gentler, and the reasons people choose to visit salons are diverse. They include:

- Wanting to look great for a special occasion, like the prom, a wedding, or a party.
- Wanting the same 'do as a favorite celebrity (who could forget Jennifer Aniston's choppy layers or Farrah Fawcett's feathered sides?).
- Wanting to change a look by perming, coloring, or straightening tresses.
- Wanting to correct the damage caused by overprocessing done by amateurs.
- Wanting to update a look (like eschewing the Jackie Kennedy bob worn since she was the First Lady).
- Wanting to look like a new person (like going from mousy brown to ravishing red).

All this is good news, considering the bad hairdos that have been popular in recent decades (think mullets and technicolor mohawks) and the trend toward gleaming chrome domes as sported by NBA players. So now your mission, should you choose to accept it, is to start a great new salon with the right rep so people will leave the boring salon they've been frequenting and make a mad dash to your door.

## The Opportunities

There are three ways you can make your mark on the hair industry. You can open a franchise hair salon, in which you pay money upfront for the privilege of opening that salon using someone else's established name (which gives you an instant reputation) and its resources (like advertising campaigns). You can buy an established salon from someone who's retiring from the business, has tired of the business, or has damaged the business and forced it into bankruptcy (all three happen every day). You can establish your own salon using your own money, your own ingenuity and your own optimism that hard work and talent will win out.



### Stat Fact

There are nearly 1.6 million cos-

metology professionals employed in salons and barber shops in the United States, according to a recent IBISWorld's Hair & Nail Salons market research report.

While you'll find a list of well-known hair franchises in the Appendix of this book, the real focus of this how-to guide will be on starting your own salon/spa from scratch. And just as a side note: While the term "salon" is used throughout the book, it's meant to include both salon and day spa services, as the title on the cover of the book indicates. Since the tools necessary to open both are basically the same, it seemed redundant to say "salon/spa" over and over. The specifics relating to the spa end

of the business, from the types of equipment needed to the types of services offered, are discussed in detail in Chapter 8.

By the way, before we move on to the nuts and bolts—or shall we say the shampoo and conditioner—of the salon industry, there’s one more type of salon that bears mentioning here because it’s so prevalent in the beauty business. Booth rental salons are owned by a person (or persons) who’s basically the landlord for a group of hairstylists and other service providers working under his or her roof. As the landlord, the salon owner/operator collects a flat monthly fee from the service providers, for which they have the privilege of using salon space and nonremovable equipment like a styling station and chair. The renters, in turn, are considered independent contractors who must provide their own supplies (everything from hair dryers to perm rods), set their own hours, book their own appointments, and have their own key to the building.

Or at least that’s the way the IRS expects booth rentals to work. If you pay your renters a commission, provide items like back-bar supplies and towels, schedule appointments, process credit card transactions, and/or offer benefits like paid vacations and insurance, then you have employees rather than independent contractors. And you can be sure that the IRS won’t smile benevolently on your fledgling business venture if you try to pass your employees off as independent contractors.

If you’d like to know more about the distinctions between employees and independent contractors like booth renters, download a copy of Publication 1779, *Independent Contractor or Employee*, from the IRS website at [irs.gov](http://irs.gov). But for the purposes of this book, it’s assumed that you’re not establishing a booth rental operation, but rather a full-fledged salon and day spa.

So what does it take to be a successful salon/spa entrepreneur? First, it helps to be a risk taker, says John Palmieri, owner of Scizzors in Shrewsbury, Massachusetts. “It’s to your advantage to jump in and just do it,” he says. “Don’t overanalyze the process or you won’t get anything done. Take a chance—open the door and start letting customers in.”

Leslie Rice Winterrowd, co-owner of Goldwaves Salon and Spa in Fort Worth, Texas, believes you have to be willing to try anything to succeed. “If you’re scared, you’ll hinder your growth. Instead, go for it, then re-evaluate what doesn’t work and fix it,” Rice Winterrowd says.

Sasha Rash, former owner of La Jolie Salon in Princeton, New Jersey, stresses the need to see the big picture. “You have to be able to see the big picture and not get bogged down in the details,” she says.

Vander E. Harris Jr., former president of the National Black Hair Association, adds “You have to have determination and an entrepreneurial mindset to be successful. You also need vision and goals.”

A thirst for knowledge, a strong constitution, and an indefatigable spirit are also traits the entrepreneurs interviewed for this book said were necessary for success.

Now add a dash of humor and a pinch of determination to the mixture, and you definitely have a recipe for success. We'll help you get rolling with advice from this book. In the meantime, think you're cut out to own and run a salon? Take the Salon Savvy Survey below to find out.

## Salon Savvy Survey

*Take this short quiz to see if you have what it takes to be a successful salon/spa owner:*

1. Can you supervise and motivate giggly teens, chatty 20-somethings, menopausal manicurists, and the other 64 common types of employees?  
 Yes  No
2. Has your hair been at least two different colors in the past six months?  
 Yes  No
3. Can you juggle up to a dozen tasks at once for 12 hours straight and still have enough energy to drive home safely at night?  Yes  No
4. Do you prefer to nap in the nearest hydraulic chair rather than go home?  
 Yes  No
5. Do you do windows and fold towels?  Yes  No
6. Do you *like* to do windows and fold towels?  Yes  No
7. Can you write massive tax payment checks to the IRS every quarter without staging a four-county taxpayer revolt?  Yes  No
8. Would red ink on your balance statement make you sob more than the film *An Affair to Remember*?  Yes  No
9. Would you cringe if someone playfully referred to your salon as a "clip joint"?  
 Yes  No
10. Do you automatically rotate hair-care product bottles on the shelf so the labels are facing out, even in the grocery store?  Yes  No

### Scoring

**9–10 yes:** You're a shear genius.

**5–8 yes:** Your career is lookin' good.

**1–4 yes:** Better get set for a long learning curl.

**0 yes:** Keep buying those lottery tickets.

# The Salon Scene

**B**efore we delve into the myriad details that go into establishing a salon and day spa, let's take a look at the numerous services typically offered by today's *maison de beauté* (or house of beauty, if you avoided French 101 in high school). Naturally, there are more services described in this chapter than you could possibly hope to offer when you first go

into business. So in Chapter 3, you'll learn how to analyze your market area to determine which of these services might be the most attractive to your target audience and make the most money for you. But in the meantime, you'll encounter every possible option here so it will be easier for you to make some choices later, when you formulate your business plan.

Also included in this chapter is a brief overview of the day-to-day operations involved in keeping a salon and spa humming along, as well as a discussion of the decisions you must make early on to put your salon development project into motion.

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## Chop Shop

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On the hair salon side, the most sought-after services are, of course, haircutting and styling. This includes everything from styles created with a blow dryer, curling iron, or hand scrunching to tried-and-true roller/dryer sets for senior citizens. Popular color services include highlighting, low lighting, glazing, corrective coloring, dimensional special effects, and hair and scalp treatments. Texture services include permanent waves, partial or spot perms, spiral perms, and relaxing treatments. Braiding falls into a category of its own. There actually are many salons that specialize in nothing but this particular hair art, but there's no reason you can't offer it in your salon, too. Just keep in mind that it's a very time-consuming service and many of the most successful braiding salons have two or more stylists working on one client at the same time. Finally, special-occasion hairstyling, for events like proms and weddings, rounds out the typical hair services menu.

Although technically an aesthetic service, nail and foot care are often offered in hair salons. Nail services include:

- Acrylic nail application
- Manicures (both traditional and French)
- Nail tipping
- Nail wrapping
- Paraffin treatments
- Pedicures
- Sculpted nail application
- Skin exfoliation and hand/foot massage

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## Selecting Services

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As mentioned in the previous chapter, this book was developed on the premise that you will be establishing a full-service salon rather than a family hair salon that

concentrates on quick-turnover services like haircuts and color. As a result, you should plan to offer the full range of hair care services mentioned earlier. Of course, the number of special services you provide may be limited by the proficiency of the help you hire and the training you can offer them, but at the very least, you should offer haircuts and styling, basic perms, straightening treatments, and color services.

## It's a Man's World

It wasn't so long ago that no self-respecting male would be caught dead in a day spa. But all that has changed with the aging of the baby boomers, who are devoted to looking youthful, staying healthy, and being fit.

The International Spa Association reported recently that 47 percent of spa clients are men, who are usually introduced to the spa experience by their wives or girlfriends. (Hold the pink robes, please.) Their number-one choice of service is massage. So as you plan your day spa, be sure to include amenities for men.

Design the spa with separate waiting and changing areas for men, and stock them with men's magazines, and maybe even a TV tuned to ESPN. Stock up on spa products with a more masculine scent (something woodsy or musky). Then attract men to your facility by running special promotions just for them, such as "Stress Relief Night for Men." You might even offer bachelor party massage packages.

Or you could try offering men-only spa services like Ben Davis does in The Gent's Place, his combination barbershop, spa, and men's club, which he opened in Frisco, Texas, in 2008. "I built The Gent's Place with the neighborhood barbershop of the past in mind but with all the amenities and services that the modern gentleman requires to keep a consistent and professional look," says Davis.

In addition to spa and barbershop services—haircuts, color, massage, shaves, facials, and "hand and foot repairs" (rather than "manis" and "pedis")—The Gent's Place offers a bar waiting area equipped with HDTV and a selection of complimentary beer, whisky, and wine. "If you're getting lousy haircuts and poor service from the discount chains or being 'womanized' at your wife's salon, it's time to man up," says Davis.

The Gent's Place isn't the only place to "man up" in the United States. Dallas has several men-only spas, one of which services up to 130 clients on Saturdays alone. It's definitely a trend that bears watching.



Whether you offer nail services or not is entirely dependent on the size of your salon and whether you can afford both the equipment and the salary of a nail technician at the outset. Today's nail client is used to visiting shops devoted only to nail services, so she won't be surprised if you don't offer manicures, acrylic nails, and tipping. But you may be able to get her to leave her regular manicurist if she sees that you're offering the same service at your cool new salon. You'll read about equipment in Chapter 7 and salaries in Chapter 9, so you can table your decision about whether to include nail services for now.

## Smoothing and Soothing

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As mentioned in the last chapter, spa services continue to be a strong segment of the personal care industry. The range of services is truly dazzling, but basically, aesthetic services offered at a day spa fall into three categories: skin and body care, hair removal, and makeup. Many spas also offer nail services, which tend to be higher priced than in a salon.

Skin- and body-care spa services include:

- Facials and body exfoliation (which may involve the use of salt glows, body polish, enzyme peels, and body masks like mud, minerals, or seaweed)
- Massage (full body massage, facial and/or hand/foot massage)
- Wraps and packs (used to combat cellulite and reduce water retention)
- Hydrotherapy treatments (whirlpool baths, Scotch hose—a type of massage that uses a hose to direct streams of water on the body to improve circulation—and hot tub treatments)
- Body tanning (self-tanners and tanning beds)

Hair-removal services include:

- Electrolysis
- Eyebrow arching
- Waxing (face, legs, arms, bikini, back, and underarms)

Makeup services include:

- Color analysis
- Cosmetics application
- Ear piercing
- Eyebrow tinting
- Eyelash tinting

These services and the equipment necessary to offer them are discussed in detail in Chapter 8.

When determining which of these spa services to offer, it's important to weigh factors like equipment cost against potential profitability. For instance, you may be a great believer in the benefits of hydrotherapy and would like to offer it in your new day spa, but hydrotherapy services require the greatest outlay of cash for equipment and facility development. So unless you have sufficient startup capital (and a significant amount of space to boot), it might be a better idea to limit your spa services initially to massage (which doesn't require as much equipment or space) and/or facials. Then, when you're operating profitably, you can expand your facility or move to a new one that will allow you to increase the scope of your day spa services.

### Smart Tip

Tip...

Products perceived to have anti-aging properties, like "natural" cosmetics and spa products with ingredients like green tea, grape-seed extract, and clay and sea minerals, continue to be popular among American consumers, says Euromonitor International, a provider of global consumer business intelligence. So you should add them to your salon and spa product lineup as a way to increase sales.

Another important factor to consider when deciding which spa services you'll offer is that many of them require a wet room. This includes the hydrotherapies mentioned earlier, as well as any body masks, exfoliation treatments, and other body treatments that must be rinsed off after application. Even if you decide not to offer hydro services when you first open, you should at least plan to include a wet room in your initial plans or you'll always be limited to "dry" services—unless, of course, you move to new digs or expand your existing location.

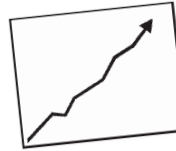
There's yet another compelling reason for offering wet services. "Water treatments are the very nature of a spa," says Colleen Blevins-Lunsford, the successful former owner of Wolf Mountain Day Spa in Grass Valley, California, who gave up her spa when she met the man of her dreams and moved to England. "Spas are about health and wellness, and for centuries man and beast alike have found healing and cures from the ocean, moor bogs, natural springs, and so on. If [water] treatments are not offered, then the spa is considered a skin-care salon or clinic."

Because the concept of a day spa implies a day of pampering similar to what you might enjoy on a spa vacation or a cruise ship, it's common for spa owners to offer packages of services. Generally speaking, packages should consist of at least three complementary services, or in the case of hydrotherapy treatments, one hydro service and up to four "dry" services. Spa industry insiders recommend offering half-day packages that run about three hours and full-day, five-hour packages that include 30 minutes to an hour for a light lunch.

Sample packages might include:

- Manicure, pedicure, makeup, hair styling (half day)
- Salt glow rub, body sugaring, full body massage (half day)
- Hot stone therapy, stone manicure and pedicure (half day)
- Scotch hose hydrotherapy, full-body mask, Swedish massage (full day)
- Hydrotherapy tub, mud body wrap, full-body massage, herbal facial (full day)
- Sea salt exfoliation, Vichy shower, massage, spa lunch (full day)
- Anti-aging facial treatment, deep-tissue massage, scalp treatment, facial (full day)

Spa packages often have colorful and evocative names that bring to mind relaxing vacation retreats. Examples include Tropical Indulgence (for a seaweed wrap and coconut facial) and Calming Waters Escape (for a variety of relaxing hydro services).



### Stat Fact

In 1987, there were 30 day

spas in the United States, according to The Spa Expert at the Marshall Plan, a Venice, California-based communications firm specializing in spas and resorts. The International Spa Association reports that by 2012, the latest year for which figures are available, the number of spas had risen to nearly 20,000.

## Beauty Business Basics

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Before we start delving into the intricacies of the services you can expect to offer as a new hair salon/day spa owner, let's take a global look at the business, from day-to-day operations to price-setting.

### A Day in the Life

Even though no two days tend to be alike for salon owners because the needs of their clients (not to mention their employees) vary so widely, there are certain tasks you can expect to perform on a regular basis. To begin with, you'll probably spend a lot of time on the telephone every day, helping to book appointments, ordering supplies, talking to salespeople, arranging for in-shop or offsite training, and so on. You'll also have to make up work schedules (then juggle them to accommodate employees' scheduled time off and personal needs), track receivables, monitor costs, dream up new advertising and marketing strategies, and possibly create daily

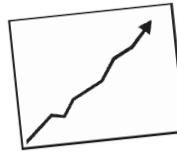
or weekly specials that can be emailed or “tweeted” to your regular customers to lure them in for additional services. On the personnel side, you’ll hire new employees, visit beauty schools to troll for hot prospects, conduct performance reviews, mentor young stylists and/or aesthetics technicians with minimal experience, consult with stylists or colorists whose efforts go awry, squelch gossip, and mediate when tempers flare between staff members. And of course, if you’re also a licensed practicing cosmetologist, you’ll be styling hair, applying color, and rolling perms.

Sounds like a lot for one person to do, doesn’t it? Well, it is—and that’s why many salon owners (even those whose salons are small) hire a salon manager to take over some of the administrative duties. This is a particularly good idea if you intend to continue to work behind the chair, since cutting and styling alone can take up a lot of your time every day. And while it’s possible to slip in some administrative work while you’re waiting for someone’s perm to process or a late client to arrive, it can be difficult to switch gears and give administrative tasks, like balancing the books, the full concentration they need.

You’ll find a detailed discussion about hiring and managing administrative and salon/spa employees in Chapter 9.

By now it should be obvious that attention to detail is one of the most important personal traits a salon owner must have. You can make it easier to keep track of all the details related to running your salon by using an app for iPhone, iPad, or Android devices; scheduling software; or even a low-tech Franklin Planner or page-a-day calendar. Obviously, you’ll also need scheduling software for the front desk of your salon.

Several different types of salon software are discussed in Chapter 7.



### Stat Fact

The nails portion of the personal appearance market grew four times more than the salon sector in a recent year, according to the 2013 Professional Salon Industry Haircare Study. On the hair side, color, smoothing services, and basic cutting/styling were major contributors to industry revenues.



### Beware!

Make sure you don’t undercharge for services, even if you have a low break-even point. You’ll be so booked up that you won’t be able to fit in new clients, and your business won’t be able to grow.

## Minding the Store

Although you’re still in the early stages of planning your new salon/spa, it’s not too soon to start thinking about some of the specific operational issues that will impact and contribute to the success of your business. To begin with, you must consider your hours of operation carefully so you can accommodate the

## Time Management Skills that Pay Off

**B**eing organized is an essential skill for any new business owner. But salon owners who manage their time in a way that enhances their money-making ability will find their business will grow and prosper faster. Here are some time management tips that can help.

- *Focus with laser-like intensity on income-generating activities.* As a new owner, you'll be tempted to try to do it all yourself—from working behind the chair, to managing the books and overseeing your staff. But the unvarnished truth is: You can't do it all. Instead, hire skilled staff (both business and salon professionals) to handle the day-to-day work, then delegate responsibilities so you can devote yourself to tasks that can help you grow the business and make more money.
- *Set goals.* Studies have shown that people who write down their goals are much more likely to reach them. So set both short- and long-term goals and refer to them often to gauge your progress.
- *Prioritize.* Some tasks are simply more important than others. Identify what absolutely must be handled first—especially if it has the potential to earn more money for your salon—and don't spend time on less pressing or insignificant chores that can be deferred to a later time.
- *Foil your phone.* We know, your smartphone is your lifeline—but it's also one of the biggest time-suckers around. Don't be a slave to your phone by interrupting whatever you're doing to review every text message or email the instant it comes in (unless, of course, you're waiting for a response to a burning business question). Instead, park your phone in an inconspicuous place, then schedule time to review your messages—perhaps once every hour or so. You'll get far more done when you have fewer technological distractions.

maximum number of clients during the business day. You undoubtedly already know that the beauty business isn't a 9-to-5 kind of industry. With the exception of urban businesses, which close up when the office workers go home, salons generally are open seven days a week and on some of the traditional holidays, and their hours may be extended around prom time or during peak wedding season. Even day spas usually are open on Sundays since this often is the only time during the week that a busy professional or mom can get away for some personal pampering.

Typically, hair salons in metropolitan areas are open from 10 A.M. to 9 P.M. seven days a week and from 10 A.M. to 6 P.M. in smaller communities. By design, Sunday and

holiday hours often are the same as those of local retailers like malls and department stores, and generally run from noon to 5 P.M. Lunch hours and early evening hours tend to be the busiest times for salons. You also may need to have special hours to accommodate special needs. For example, if you do a lot of wedding work, you'll probably have to be open earlier on Saturday mornings, say at 7 A.M., for the brides who have to get to church for a 10 A.M. service.

### Bright Idea

To increase your visibility and build goodwill in the community, you can donate professional services (like a haircut and styling or a massage) or a basket of beauty products to key charitable organizations for fundraisers or raffles. Just don't overextend yourself—make sure you can afford the gift in terms of time and cost.

## The Price Is Right

Another important part of your salon development plan is the appropriate pricing of your services. Set prices too high, and you'll limit the number of people who can afford them; set them too low, and you'll limit your profit potential and possibly put the business at risk. Of course, the price the market will bear is very much dependent on the demographics of your service area. If you're in an upscale area with larger homes occupied by people with more disposable income, you can price your services accordingly, and even offer high-end spa services. But if the surrounding community is peopled by young working families, you'll have to forego the spa services (or offer no more than the bare minimum) and concentrate instead on basic haircutting, affordably priced color services, and manicures.

Setting prices requires more than visiting other salons in your target market, collecting service menus, and pricing your own services so they're competitive. Rather, you must consider the three factors that will influence your prices: labor and supplies, overhead, and profit.

Labor costs for salons/spas include salary and benefits costs for both your stylist/spa staff and administrative people (including your manager, receptionist, and other support staff). Your own salary is included as a part of this cost. This cost is generally expressed as a price per hour and can vary depending on the amount of time it takes your employees to cut hair or perform other services.

According to the Bureau of Labor Statistics' (BLS) most recent Occupational Outlook Handbook, half of all salaried hairdressers, hairstylists, and cosmetologists earn a median wage of \$22,770 per year. Based on a 40-hour week, that works out to \$10.95 per hour. On the other hand, U.S. News reports that the best paying salaries in the industry—in excess of \$37,000—can be earned in Brockton, Massachusetts; Seattle, Washington; Fairbanks, Alaska; San Francisco, California; and Honolulu, Hawaii. That works out to \$17.79 per hour. That's quite a wide spread, so you will need to find out how much salons in your area are paying so you

can come in at the appropriate rate. A website like salary.com can steer you in the right direction.

Here's a way to figure out your costs. Using the lower \$10.95 per hour rate mentioned above, assuming it takes a stylist 45 minutes to shampoo, cut, and style one customer, and assuming that materials constitute 6 percent of labor cost, your labor and materials cost would work out like this:

Time	Rate	Cost
<b>Labor</b>	45 min.	\$10.95/hour
		\$8.25 (rounded up from \$8.21)
<b>Benefits</b> (15% of labor*)		\$1.24
<b>Total labor cost</b>		\$9.49
<b>Materials</b> (6% of total labor cost)		\$.57
<b>Total labor/materials cost</b>		<b>\$10.06</b>

*\*According to the U.S. Department of Labor, benefits comprise 29.9 percent of total employee compensation. Salons typically pay 15 to 25 percent, so that figure is used here instead.*

Next, you need to consider your overhead costs, which consist of all costs required to operate the business other than labor. This includes your mortgage or lease payment, utilities, and so on. Since you don't have prior-year expense data to base this figure on, it's reasonable to estimate that your overhead will be from 40 to 50 percent of your labor and materials cost. (This figure can be adjusted later as you accumulate financial data.)

So let's say when you tally up all your labor and materials costs for the year, you arrive at a figure of \$100,000. Your estimated overhead expenses (at 45 percent) would be \$45,000. This would give you an overhead rate of 45 percent. Using that overhead rate, you can calculate your operating expenses as:

<b>Labor/materials cost</b>	\$10.06
<b>Overhead</b> (45% of \$10.06)	\$4.53
<b>Subtotal of operating expenses</b>	<u><b>\$14.59</b></u>

The last part of the pricing equation is profit. Salon owners generally can expect to have a net profit of 11 to 15 percent (although you can certainly make this profit figure higher or lower as you see fit). To arrive at the net profit you want, you have to add a markup percentage factor so you'll arrive at the approximate gross amount you'll earn. Try using the markup table on pages 17 and 18 to make the task easier.

## Markup Table

Net Profit Percent of Price	Markup Percent of Cost
4.8	5.01
5	5.3
6	6.4
7	7.5
8	8.7
9	10
10	11.1
10.7	12
11	12.4
11.1	12.5
12	13.6
12.5	14.3
13	15
14	16.3
15	17.7
16	19.1
16.7	20
17	20.5
17.5	21.2
18	22
18.5	22.7
19	23.5
20	25
21	26.6
22	28.2
22.5	29
23	29.9
23.1	30
24	31.6

Net Profit Percent of Price	Markup Percent of Cost
25	33.3
26	35
27	37
27.3	37.5
28	39
28.5	40
29	40.9
30	42.9
31	45
32	47.1
33.3	50
34	51.5
35	53.9
35.5	55
36	56.3
37	58.8
37.5	60
38	61.3
39	64
39.5	65.5
40	66.7
41	70
42	72.4
42.8	75
44.4	80
46.1	85
47.5	90
48.7	95
50	100



## Markup Table, *continued*

Net Profit Percent of Price	Markup Percent of Cost	Net Profit Percent of Price	Markup Percent of Cost
52.4	110	66.7	200
54.5	120	69.2	225
56.5	130	71.4	250
58.3	140	73.3	275
60	150	75	300
61.5	160	76.4	325
63	170	77.8	350
64.2	180	78.9	375
65.5	190	80	400

Let's assume you want to net a profit of 15 percent. To determine a basic haircut price, use this equation:

<b>Subtotal of operating expenses</b>	\$14.59
<b>Net profit</b>	2.58
(17.7% of \$13.62)	_____
<b>Basic cut/style price</b>	<b>\$17.17</b>

Obviously, many salons charge far more than this amount for a basic cut/style—usually more like \$30 to \$40—and in these cases, their costs are covered and their net profit is secure. In fact, Neil Ducoff, founder of Strategies Publishing Group in Centerbrook, Connecticut, says he knows one stylist who can do a \$90 haircut in seven minutes—and does it well.

John Palmieri of Scizzors in Shrewsbury, Massachusetts, simplifies the process of setting prices to the extreme. He suggests figuring out how much the salon needs to make for the year and do the math to arrive there. For instance, let's assume you want the salon to make \$75,000 per year. Here are the calculations you'd use to figure out your prices:

$$\begin{aligned}
 &\$75,000/52 \text{ weeks} = \$1,442 \text{ per week} \\
 &\$1,442/100 \text{ hours the salon is open each week} = \$14.42/\text{hour} \\
 &\text{Add a 10 percent profit margin } (\$1.42) = \$15.84/\text{hour}
 \end{aligned}$$

“And when any of your costs go up, you just adjust your hourly rate to cover them,” he adds.

Palmieri says this formula works for him because all services basically cost the same amount per hour. Also, having a set rate like this prevents problems, such as having specialists like colorists earning more, or worrying about the cost for products (which are worked into the formula at a rate of 7.5 percent anyway).

“It really makes everything easier,” he says. “Why drive yourself crazy?”

All the formulas described here for pricing haircuts can be used for pricing all other salon and spa services, as well

## At Their Service

Next on your initial list of things to do should be to create a salon services menu. This should be handled as soon as you determine exactly which services you’ll offer and how you’ll price them, since your menu can be given out to potential clients or used as a direct-mail piece to generate pre-opening buzz about the business. Ultimately, you should display a quantity of these menus in a holder on your reception desk so they’re always nearby for customers who are interested in other services.

The salon services menu is usually formatted as a brochure. It should reflect the look you want for your salon, from high style to snazzy, funky to cool. Ideally, it should be printed in the same colors you choose for your salon décor, and on the best stock you can afford, like 75-pound enamel cover stock (a type of shiny card stock that can be printed in vibrant colors).

You also might consider having a graphic designer create a logo for your salon, which can be used on your menu, salon sign, promotional materials, business cards, and other printed pieces. It should have a distinctive look so it can stand alone without having the name of your salon with it. Examples of logos that do this successfully are Starbucks’ “green lady,” and Microsoft Windows’ flying window emblem, both of which effectively evoke their product brand when you see them.

The copy on the menu should be simple but descriptive enough so that clients know what each service entails. For instance, there’s no mystery when it comes to a description like “blowout and style” or “spa manicure.” But “dimensional special effects” might not be as obvious, and since some people are too embarrassed to admit they don’t understand, they’ll never be a consumer of that particular service since they don’t have a clue what it is. You’ll find a sample salon services menu on page 22.

If you’re opening a spa, you really have to be descriptive and creative when it comes to your services menu because so many of the services may not be familiar to the average salon customer. Even people who have been to a spa may be unfamiliar

with a term like “parafango therapy” (a combination of paraffin and mud often used to decrease the appearance of cellulite) or a service like “salt glow exfoliation” (which uses mineral salts, often from the Dead Sea, to exfoliate and rejuvenate skin). In Chapter 8, you’ll find descriptions of spa treatments that will be helpful when you write your own spa menu copy.

If you’ve decided to offer spa services as a way to increase revenue and emulate the level of service offered at fine spa resorts, you should describe these services in detail on your spa menu. As a way to build excitement and interest, try trotting out all the adjectives your third grade English teacher told you to lock away for good. For instance, the following adjectives could be used to describe a facial: deep-cleansing, deluxe, purifying, rejuvenating, anti-aging, refining, and refreshing.

Even though you want your salon and/or spa menu to look classy, you don’t necessarily have to spend a fortune printing it. To save money on printing costs, have it designed as an 8½-by-11-inch document that can be folded into a two-panel brochure size (which fits a standard No. 10 envelope). Also, the more pieces you print, the lower the per-piece price will be. Just be sure you don’t print too many at a time since prices and services do change.

## Swabbing the Decks

Another operational task that’s required to uphold the image of your salon is regular maintenance. It’s not enough to sweep up hair clippings after a cut or to wash and fold towels—you have to keep the salon looking and smelling fresh and clean so it’s inviting at all times, no matter how much traffic comes through the door or how bad the weather is. Some salon owners prefer to have a maintenance crew come in to handle everything except the basics like sweeping and folding towels. The cost can be high, at up to \$200 per visit, but the benefits truly do outweigh the cost. Alternatively, you could hire a person whose job is to clean up, do laundry, and otherwise keep the salon tidy. Scissors’ John Palmieri has a full-time maintenance employee on staff who arrives two hours before the salon opens to do the laundry, sweep, clean up the refreshment center, and fold towels, among other chores. “That way, we have a very clean salon, which is important. We’re all just too busy to clean up after ourselves,” Palmieri says.

The majority of owners interviewed for this book simply make daily maintenance, from vacuuming to taking out the trash and dusting counters, a responsibility of every person in the salon. “That’s the benefit of a team-based employment system,” says Daryl Jenkins vice president of operations for HairXtreme in Chester, Virginia, and a certified Strategies coach. “It doesn’t matter if you’re cutting hair or folding towels—everyone is expected to pitch in. The only other help we have is a floor guy who comes in every two weeks to do the floors and carpet at a cost of \$55 per visit.”

To find a company that offers daily, weekly, or monthly maintenance contracts, check [yellowpages.com](http://yellowpages.com) under Janitorial Services.

## Magic Money Makers

How would you like to help your salon make extra money each month with very little effort? Then plan to offer a carefully selected assortment of retail hair-care and spa products.

According to industry experts, retail products can make your profits grow significantly. Other than ordering the product, arranging it attractively on shelves in your reception area, rotating product, and controlling inventory, there's not much more involved in product retailing. But you do have to educate your staff to sell the products they use on their clients, you have to make the products easily accessible in the salon, and you have to sell a wide enough assortment of products to appeal to most—if not all—customers.

Since your stylists and spa technicians are the best salespeople for retail products, you can pump up retail sales by offering them a performance bonus for selling a certain dollar amount of retail products each month or quarter. Or you could tie their annual merit raises to sales goals you set at the time of their annual performance evaluation.

To increase product visibility in the salon/spa, display hair-care products like shampoo, conditioner, mousse, gel, and wax, as well as implements like brushes, combs, and dryers, prominently in the reception area, preferably on the wall that faces the chairs where clients wait. Don't pack the shelves too tightly, or it will discourage the casual looker from picking up products and reading their labels. Finally, make sure you offer a wide enough selection of products. This is especially important if you decide to specialize in just one product line, like Aveda or Bumble and bumble. Clients will expect to see every product necessary to tame their tresses and keep them looking salon-fresh.

Industry insiders say that retail sales should account for 25 percent of a salon's overall profits. So you can see there's a lot of money to be made if employees are trained correctly, and you have the right products on hand. Among the product lines the salon owners interviewed for this book feature in their salons are Aveda, Bumble and bumble, and Goldwell. See the Appendix for contact information for some of the industry's leading professional salon product manufacturers.

## The Gift of Beauty

One aspect of salon sales that can really generate some serious income is gift certificate sales. Many salons offer either plastic gift cards or low-tech paper gift certificates

Salon Services Menu			
Cutting and Styling		Permanent Wave	
Design cut and style	\$45 to \$65	Permanent wave without cut	\$75 and up
Blow dry and style	\$25	Spiral perm without cut	\$150 and up
Hot roller set	\$35	Permanent wave with cut	\$115 and up
Evening updo	\$40 and up	Spiral perm with cut	\$190 and up
Conditioning	\$25	Spot perm	\$50 and up

as a way to corral more cash during those all-important gift-giving seasons, like the December holiday period, Valentine’s Day, and Mother’s Day. Many of the owners interviewed for this book are making big bucks on gift certificate sales—\$200,000 a year in the case of one salon/spa that has annual revenues of \$3 million; \$170,000 a year at another salon/spa that has annual sales of just under \$1 million. On the other hand, another owner says gift certificate sales are minimal because the salon doesn’t have spa services. What appears to be more typical is a gift certificate sales rate of about 10 percent of overall sales.

The beauty of gift certificates is that they bring in a lot of cash for a very small investment. If you’re lucky, many of your gift certificates will be redeemed during the slower months that follow the holiday gift-giving season. If you’re even luckier, the women who receive gift certificates for Mother’s Day will come in during the slower summer months. But don’t leave anything to chance—be sure to budget the initial gift certificate purchase money wisely so you’ll easily be able to handle the increased operational costs that could result when they’re redeemed. And, of course, there’s always the chance that gift certificates can be lost or misplaced, but in these cases, you’re covered: You’ve made money without having to spend money on labor and materials.

Tip...

**Smart Tip**

To increase retail sales, try creating small hair-care product displays at each stylist station. Although these mini displays should focus mainly on the products each stylist uses at his/her station, you certainly can include other new or innovative products as part of the mix.

Daryl Jenkins of HairXtreme has some blunt advice for salon owners thinking of starting a gift card program. “Go with an electronic gift card system,” he says. “Handling paper is insane.” Besides being time-consuming to fill out, paper gift certificates are more complicated to track. It’s also easier to lose them—and for the consumer to duplicate them fraudulently. Encoded cards are pretty much error-free.

Finally, Gift Card USA ([giftcardusa.com](http://giftcardusa.com)), a provider of plastic gift cards and loyalty programs, says customers spend 40 percent more with plastic gift cards than with paper, which is why virtually all large retailers use them. Research has shown that encoded gift cards also improve client loyalty and retention, and reduce fraud.

To implement a gift card program, you’ll need a processing terminal (good news: your credit card terminal probably can be programmed to do double duty) and a supply of plastic gift cards. Typical costs for a gift card program include programming and monthly transaction fees; the cost of supplies (including the cards and display materials); and a fee to buy or lease the equipment. You’ll find the names of a few gift card program vendors you can explore in the Appendix.

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