


# Chapter 32

## The Salon Business

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**“What you leave behind is not what is engraved in stone monuments, but what is woven into the lives of others.”**

– Pericles

# Objectives

- Identify two options for going into business for yourself.
- Understand the responsibilities of a booth renter.
- List the basic factors to be considered when opening a salon.
- Distinguish the types of salon ownership.

# Objectives *(continued)*

- Identify the information that should be included in a business plan.
- Understand the importance of record keeping.
- Recognize the elements of successful salon operations.
- Explain why selling services and products is a vital aspect of a salon's success.

# Going into Business: Booth Rental

- Responsible for:
  - Own clientele
  - Paying flat fee for rent
  - Keeping records
  - Maintaining insurance
  - Complying with IRS
  - Using own phone system
  - Collecting service fees
  - Purchasing supplies
  - Maintaining inventory
  - Advertising, incentives
  - Paying for advanced education
  - Working in independent atmosphere
  - Adhering to state laws and regulations

# Opening Your Own Salon

- Vision Statement – long term picture of what the business is to become
- Mission statement: description of the business, the market it serves, the services offered, and so on
- Goals : benchmarks to help realize the mission and vision

# Opening Your Own Salon (*continued*)

- Create a business timeline.
  - 1 year
  - 2 to 5 years
  - 5 to 10 years
  - 10 to 20 years
  - Over 20 years
- Consider business feasibility.
- Choose a business name.
- Choose a location.

# Location, Location, Location



Photography by Michael Watson for Salvatore Minardi Salon, Madison, NJ.

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# Opening Your Own Salon

- Written agreements
- Business regulations and laws
- Insurance
- Salon operations
- Record keeping
- Salon policies
- Useful resources

# Types of Ownership

- Individual ownership
  - Proprietor is owner and manager.
  - Proprietor determines policy.
  - Proprietor receives profits and bears all losses.

# Types of Ownership (*continued*)

- Partnership (owned by two or more parties)
  - More capital is available.
  - Ability and experience are combined.
  - Profits are shared.
  - Partners assume each other's unlimited liability for debt.

# Types of Ownership (*continued*)

- Corporation
  - Capital raised by issuing stock.
  - Stockholders own interest.
  - Corporate formalities required.
  - Income tax limited to salary.
  - Unemployment insurance required.

# Types of Ownership (*continued*)

- Franchise ownership
  - Franchisor: existing successful business
  - Franchisee: one who contracts with franchisor for use of name, brand, and policies

# Business Plan

- Executive summary
- Vision statement
- Mission statement
- Organizational plan
- Marketing plan
- Financial documents
- Supporting documents
- Salon policies

# Purchasing Existing Salon

- Financial audit to determine value
- Written purchase/sales agreement
- Signed statement of inventory
- Investigation of loan defaults
- Confirmed identity of owners

# Purchasing Existing Salon (*continued*)

- Use of salon's name and reputation
- Disclosure of client information
- Disclosure of facility condition
- Noncompete agreement
- Employee agreements



# Drawing Up a Lease

- List exempt equipment and fixtures that are separate from lease.
- Agree on necessary renovations.
- Clarify option to sublease.

# Protecting Your Business

- Keep premises secure and locked.
- Purchase insurance.
- Know laws and sanitary codes.
- Keep accurate records.

# Business Operation

- Excellent business sense
- Knowledge of sound business principles

# Business Management

- Sufficient investment capital
- Efficiency of management
- Good business procedures
- Strong computer skills
- Management/employee cooperation
- Experienced personnel
- Excellent customer service

# Business Management (*continued*)

- Proper pricing

## STYLES BY DOTTI

### Haircuts

Designer cuts for women	\$40
Men's cut	\$25
Children's cut	starting at \$15
Formal updos	starting at \$45

### Haircolor Services

Virgin application, single-process	starting at \$40
Color retouch	starting at \$35
Double-process	starting at \$55
Dimensional highlighting (full head)	\$75
Dimensional highlighting (partial head)	\$60

### Texture Services

Customized perming*	starting at \$80
Spiral perm*	starting at \$100

*\*Includes complimentary home-maintenance product.*

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# Allocation of Funds

- Average expenses
- Importance of record keeping

FINANCIAL BENCHMARKS FOR SALONS IN THE UNITED STATES	
EXPENSES	PERCENT OF TOTAL GROSS INCOME
SALARIES AND COMMISSIONS (INCLUDING PAYROLL TAXES)	53.5
RENT	13.0
SUPPLIES	5.0
ADVERTISING	3.0
DEPRECIATION	3.0
LAUNDRY	1.0
CLEANING	1.0
LIGHT AND POWER	1.0
REPAIRS	1.5
INSURANCE	0.75
TELEPHONE	0.75
MISCELLANEOUS	1.5
TOTAL EXPENSES	85.0
NET PROFIT	15.0
TOTAL	100.0

Courtesy Kopsa Otte CPAs & Advisors in York, NE, nationally known as the only accounting firm that specializes in salons and spas.

# Purchase Records

- Maintain perpetual inventory
- Prevent overstock/shortages
- Monitor pilfering
- Establish net worth of business

# Supplies

- **Consumption**: used in daily business operation
- Retail: sold to clients



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# Service Records

- Records of all treatments and retail
- Client consultation cards
  - Hard copy
  - Electronic file

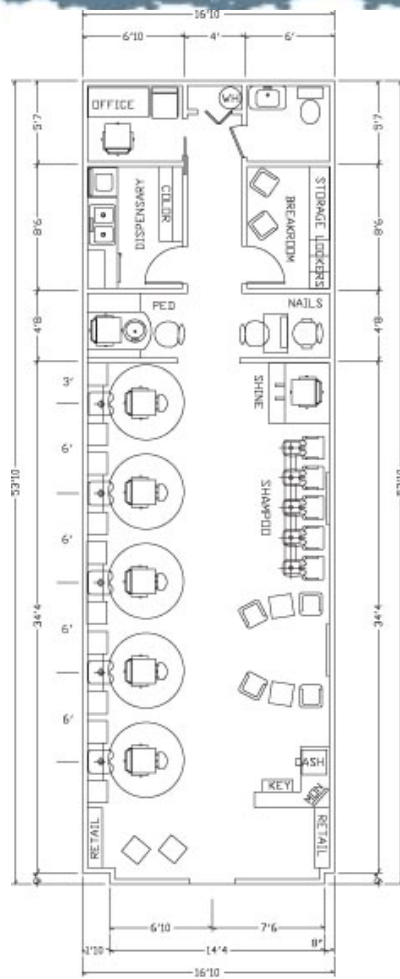
# Operating a Successful Salon

- Planning layout
- Hiring skilled and educated personnel
- Properly managing the front desk
- Efficiently using the telephone
- Effectively advertising salon services

# Salon Layout

- Flow and volume of services
- Adequate space
- Spacious, inviting retail area

# Layout for a Typical Salon



© Collins Manufacturing Company, Cookeville, TN.

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# Hiring Considerations

- Skill level
- Personal grooming
- Image as it relates to the salon
- Overall attitude
- Communication skills

# Payroll and Employee Benefits

- Meet payroll obligations.
- Offer good benefits.
- Provide employee evaluations.
- Create and stay with tipping policy.
- Put compensation plan in writing.
- Create incentives.
- Develop effective salon policies.

# Tips for Managing Personnel

- Be honest with employees.
- Expect the best.
- Be a mentor.
- Share information.
- Follow the rules.
- Be reliable.
- Teach staff what you know.

# The Front Desk

- Reception area
- Receptionist (salon quarterback)
- Booking appointments
- Appointment book



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# Good Telephone Usage

- Have a pleasant telephone voice.
- Show interest and concern.
- Be polite, respectful, courteous.
- Be tactful.

# Incoming Calls

- Offer a cheerful, clear greeting.
- Answer promptly.
- Provide requested information.
- Do not carry on a side conversation while on the phone.

# Booking by Phone

- Know services, products, costs.
- Know salon personnel's skills.
- Be fair when making assignments.
- If requested stylist is unavailable:
  - Suggest another time.
  - Suggest another stylist.
  - Offer to call if there is a cancellation.

# Handling Complaints by Phone

- Maintain self-control.
- Be tactful and courteous.
- Employ active listening skills.
- Maintain a sympathetic tone.
- Don't interrupt.
- Resolve quickly and effectively.

# Building Your Business

- Promote salon favorably.
- Attract and hold attention.
- Referrals are best form of advertising.
- Develop ads (or outsource).
- Annual budget is 3 percent of gross income.
- Plan ahead for holidays.

# Methods of Advertising

- Newspapers
- Direct mail
- Classified/yellow pages
- E-mail newsletters
- Web site offering
- Giveaway promotional items
- Window display

**Spring Specials  
at  
The Manor Day Spa**

*Celebrate the coming of spring!  
Let us pamper you with one of our new deluxe packages*

<b>The Getaway:</b>	Swedish massage, facial, manicure, pedicure, makeup, haircut and styling (includes complimentary lunch)	\$200
<b>The Refresher:</b>	deep cleansing facial, makeup, haircut and styling	\$100
<b>Body Sensations:</b>	aromatherapy massage, facial, makeup	\$75
<b>Tips and Toes:</b>	spa manicure, hot stones pedicure	\$55

**Feb. 15 through May 15 only**

Deep conditioning treatment with every haircolor service!  
Call now to reserve an hour, two hours, or a whole day  
of relaxation and pampering at the Manor.

**Bring in this ad to receive a 5% discount on any service.**

**The Manor Day Spa, 123 Main Street, Hometown, USA 12345  
(300-555-1111)**

**Open Tuesday - Friday 10-6,  
Saturday 10-4**

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# Methods of Advertising (*continued*)

- Radio
- Television
- Community outreach
- Client referrals
- In-salon videos that promote your services and products

# Selling in the Salon

- Selling is an important responsibility of the licensed professional. Much of the salon's success revolves around the sale of additional salon services and retail products. Adding services or retail products to each ticket means additional revenue.
- Everyone benefits!



# Selling in the Salon (*continued*)



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# Summary and Review

- Name and describe the two most common options for going into business for yourself.
- What responsibilities does a booth renter assume? What are the disadvantages of booth renting?
- List at least three factors that potential salon owners should consider before opening a business.

# Summary and Review (*continued*)

- Describe the types of salon ownership.
- List and describe the categories of information that should be included in a business plan.
- Why is it important to keep good records, and what types of records should be kept?

# Congratulations!

You have completed one unit of study  
toward course completion.

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