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THE SALON BUSINESS

LEARNING OBJECTIVES

After completing this chapter, you will be able to:

LO 1

Identify two options for going into business for yourself.

LO 2

List the basic factors to be considered when opening a salon.

LO 3

Compare the types of salon ownership.

LO 4

Recognize the information that should be included in a business plan.

LO 5

Explain the importance of record keeping.

LO 6

Examine the responsibilities of a booth renter.

LO 7

Distinguish the elements of successful salon operations.

LO 8

Validate why selling services and products is a vital aspect of a salon's success.

OUTLINE

WHY STUDY THE SALON BUSINESS? 1078

REVIEW TYPES OF BUSINESS OPTIONS 1079

BOOTH RENTAL 1089

ELEMENTS OF A SUCCESSFUL SALON 1090

BUILDING YOUR BUSINESS 1097

The better prepared you are to be both a great artist and a successful businessperson, the greater your chances of success (figure 32-1). Entire books have been written on each of the topics touched on in this chapter, so be prepared to read and research your business idea extensively before making any final decisions about opening a business. The following information is only meant to be a general overview.

why study

THE SALON BUSINESS?

Cosmetologists should study and have a thorough understanding of the salon business because:

- As you become more proficient in your craft and your ability to manage yourself and others, you may decide to become an independent booth renter or even a salon owner. In fact, most owners are former stylists.
- Even if you spend your entire career as an employee of someone else's salon, you should have a familiarity of the rules of business that affect the salon. It is also important to look at your career behind the chair as your own business.
- To become a successful entrepreneur, you will need to attract employees and clients to your business and maintain their loyalty over long periods of time.
- Even if you think you will be involved in the artistic aspect of salons forever, business knowledge will serve you well in managing your career and professional finances, as well as your business practices.



figure 32-1
Opening your own salon or spa is a big step.

After reading the next few sections, you will be able to:

LO 1 Identify two options for going into business for yourself.

LO 2 List the basic factors to be considered when opening a salon.

Review Types of Business Options

If you reach a point in your life when you feel that you are ready to become your own boss, you will have two main options to consider: (1) owning your own salon, or (2) renting a booth in an existing salon.

Both options are extremely serious undertakings that require significant financial investment and a strong line of credit. Salon owners have a very different job than hairdressers. Typically, owners continue to work behind the chair while they manage the business. This is extremely time consuming, and there is no guarantee of profits, which is why salon ownership is definitely not for everyone. Owning your own salon and renting a booth have different pros and cons.

Opening Your Own Salon

Opening your own salon is a huge undertaking—financially, physically, creatively, and mentally—because you will face challenges that are complex and unfamiliar to you. Before you can open your doors, you'll need to decide what products to use and carry, what types of marketing and promotions you will employ, the best method and philosophy for running the business and creating a culture, and whom to hire if you need additional staff.

Regardless of the type of salon you hope to open, you should carefully consider basic issues and perform basic tasks, as outlined in the following section.

Create Your Brand Identity

Creating your brand identity from at the start is essential in building a unique, successful business. To create your brand, start by identifying a few simple concepts to use as building blocks for your brand identity.

- What is your point of difference? What is going to make a client want to visit your business vs. the one across the street?
- What are you selling? Every salon sells haircuts and haircolor; think beyond the obvious. Are you selling a luxury experience, a family-friendly environment, or a cost-conscious express service?
- What is your aesthetic? Will there be a consistent color, theme, or uniform for your staff?

Identifying the answers to the three main questions above will solidify your concepts and serve as reference. Refer to them frequently for inspiration, guidance, and a reminder of what your business is built upon.

Create a Vision and Mission Statement for the Business with Goals

A **vision statement** is a long-term picture of the long-term goals for the business, what it is to become, and what it will look like when it gets there. A mission statement is a guide to the actions of the organization: It spells out the overall goals, provides a path, and contains the core values to help guide decision making. The mission statement lays the foundation for how your company's strategies are created. **Goals** are an essential set of benchmarks that, once achieved, help you to realize your mission and your vision. It is important to set realistic goals for both the short term and long term.

Create a Business Timeline

While initially you will be concerned with the first two aspects of the timeline, once your business is successful you will need to think about the others as well.

- **Year One:** It could take a year or more to determine and complete all of the aspects of starting the business.
- **Years Two to Five:** This time period is for tending to the business, its clientele, and its employees and for growing and expanding the business so that it is profitable.
- **Years Five to Ten:** This time period, if successfully achieved, can be for adding more locations, expanding the scope of the business (for example, adding spa services), construction of a larger space, or anything else you or your clients need and want.
- **Years 11 to 20:** In this time period, you may want to move from being a working cosmetologist into a full-time manager of the overall business and to begin planning for your eventual retirement.
- **Year 20 Onward:** This may be the perfect time to consider selling your successful business or changing it in some way, such as taking on a junior partner and training him or her to take over the day-to-day operations of the business so you can have time away from the business to explore interests or hobbies.

Determine Business Feasibility

Determining whether or not the business you envision is feasible means addressing certain practical issues. For example, do you have a special skill or talent that can help you set your business apart from other salons in your area? Does the town or area in which you are planning to locate the business offer you the appropriate type of clientele for the products and services you want to offer? Based on what you envision for the business, how much money will you need to open the business? Is this funding available to you?

Choose a Business Name

The name you select for your business explains what it is and can also identify characteristics that set your business apart from competitors in the marketplace. The name you select for your business will also influence how clients and potential clients perceive the business. The name will create a picture of your business in clients' minds, and once that picture exists it can be very difficult to change it if you are not satisfied. In addition, once

your business is named, it is complicated to make all of the legal, banking, and tax changes if you change your mind.

Choose a Location

You will want to base your business location on your primary clientele and their needs. Select a location that has good visibility, high traffic, easy access, sufficient parking, and handicap access (figure 32-2).

Written Agreements

Many **written agreements** and documents govern the opening of a salon, including leases, vendor contracts, employee contracts, and more. All of these written agreements detail, usually for legal purposes, who does what and what is given in return. You must be able to read and understand them. Additionally, before you open a salon, you must develop a **business plan** (BIZ-nez plahn), a written description of your business as you see it today and as you foresee it in the next five years (detailed by year). A business plan is more of an agreement with yourself, and it is not legally binding. However, if you wish to obtain financing, it is essential that you have a business plan in place first. The plan should include a general description of the business and the services that it will provide; area **demographics** (dem-oh-graf-iks), which consist of information about a specific population, including data on race, age, income, and educational attainment; expected salaries and cost of related benefits; an operations plan that includes pricing structure and expenses, such as equipment, supplies, repairs, advertising, taxes, and insurance; and projected income and overhead expenses for up to five years. A certified public accountant (CPA) can be invaluable in helping you gather accurate financial information. The Chamber of Commerce in your proposed area typically has information on area demographics.

Business Regulations and Laws

Business regulations and laws (BIZ-nez reg-U-lay-shuns AND LAWZ), are any and all local, state, and federal regulations and laws that you must comply with when you decide to open your salon or rent a booth. Since the laws change from year to year and vary from state to state and from city to city, it is important that you contact your local authorities regarding business licenses, permits, and other regulations, such as zoning and business inspections. Additionally, you must know and comply with all federal Occupational Safety and Health Administration (OSHA) guidelines, including those requiring that information about the ingredients of cosmetic preparations be available to employees. OSHA requires Safety Data Sheets (SDSs) for this purpose. There are also many federal laws that apply to hiring and firing, payment of benefits, contributions to employee entitlements (for example, social security and unemployment), and workplace behavior.

Understanding the laws and rules of owning a salon is imperative to running a successful business. The laws and rules not only lay the foundation of acceptable guidelines regarding hiring and firing, they also build a framework for day to day policies and procedures and safety. Not following the laws and rules can result in costly fines and heavy penalties. It is important to become very familiar with the local, state, and federal laws and rules before you open your business.



figure 32-2

Location. Location. Your salon should have good visibility and high pedestrian traffic.



DID YOU KNOW?

There are many useful resources for new business owners available online. Try these sites for great information:

- entrepreneur.com
- sbaonline.sba.gov
- score.org
- sba.gov

When you open your business, you will need to purchase **insurance** that guarantees protection against financial loss from malpractice, property liability, fire, burglary and theft, and business interruption. You will need to have disability policies as well. Make sure that your policies cover you for all the monetary demands you will have to meet on your lease.

Salon Operation

Business or **salon operation** refers to the ongoing, recurring processes or activities involved in the running of a business for the purpose of producing income and value.

Record Keeping

Record keeping is the act of maintaining accurate and complete records of all financial activities in your business.

Salon Policies

Salon policies are the rules and regulations adopted by a salon to ensure that all clients and associates are being treated fairly and consistently. Even small salons and booth renters should have salon policies in place.

After reading the next few sections, you will be able to:

LO³ Compare the types of salon ownership.

Types of Salon Ownership

A salon can be owned and operated by an individual, a partnership, or a corporation or franchise. Before deciding which type of ownership is most desirable for your situation, research each option thoroughly. There are excellent reference tools available, and you can also consult a small business attorney for advice.

Individual Ownership

If you like to make your own rules and are responsible enough to meet all the duties and obligations of running a business, individual ownership may be the best arrangement for you.

The **sole proprietor** (SOHL PRHO-pry-eh-tohr) is the individual owner and, most often, the manager of the business who:

- Determines policies and has the last say in decision making.
- Assumes expenses, receives profits, and bears all losses.

Partnership

Partnerships may mean more opportunity for increased investment and growth. They can be magical if the right chemistry exists, or they can be disastrous if you find yourself linked with someone you wish you had known better in the first place. Your partner can incur losses or debts that you may not even be aware of unless you use a third-party accountant. Trust is just one of the requirements for this arrangement.

In a **partnership** business structure, two or more people share ownership—although not necessarily equally.

- One reason for going into a partnership arrangement is to have more **capital**, or money to invest in a business; another is to have help running your operation.
- Partners also pool their skills and talents, making it easier to share work, responsibilities, and decision making (**figure 32-3**).
- Keep in mind that partners must assume one another's liability for debts.

Corporation

A **corporation** (KOR-pour-aye-shun) is an ownership structure controlled by one or more stockholders. Incorporating is one of the best ways that a business owner can protect her or his personal assets. Most people choose to incorporate solely for this reason, but there are other advantages as well. For example, the corporate business structure saves you money in taxes, provides greater business flexibility, and makes raising capital easier. It also limits your personal financial liability if your business accrues unmanageable debts or otherwise runs into financial trouble.

Characteristics of corporations are generally as follows:

- Corporations raise capital by issuing stock certificates or shares.
- Stockholders (people or companies that purchase shares) have an ownership interest in the company. The more stock they own, the bigger that interest becomes.
- You can be the sole stockholder (or shareholder), or you can have many stockholders.
- Corporate formalities, such as director and stockholder meetings, are required to maintain a corporate status.
- Income tax is limited to the salary that you draw and not the total profits of the business.
- Corporations cost more to set up and run than a sole proprietorship or partnership. For example, there are the initial formation fees, filing fees, and annual state fees.
- A stockholder of a corporation is required to pay unemployment insurance taxes on his or her salary, whereas a sole proprietor or partner is not.

Franchise Ownership

A franchise is a form of business organization in which a firm that is already successful (the franchisor) enters into a continuing contractual relationship with other businesses (franchisees) operating under the franchisor's trade name in exchange for a fee. When you operate a franchise salon, you usually operate under the franchisor's guidance and must adhere to a contract with many stipulations. These stipulations ensure that all locations in the franchise are run in a similar manner, look the same way, use the same logos, and, sometimes, even train the same way or carry the same retail products.



figure 32-3

Partners share the rewards and the responsibilities.



DID YOU KNOW?

When you open your own business, you should consult with an attorney and an accountant before filing any documents to legalize your business. It is helpful to find these kinds of professionals who have previous experience in the salon business. Your attorney will advise you of the legal documents and obligations that you will take on as a business owner, and your accountant can inform you of the ways in which your business may be registered for tax purposes.

Franchises offer the advantage of a known name and brand recognition, and the franchisor does most of the marketing for you. Also, many have protected territories, meaning another franchise salon with the same name cannot open up within your fixed geographic area. However, franchise agreements vary widely in what you can and cannot do on your own. Owning a franchise is no guarantee of making a profit, and you should always research the franchise, talk to other owners of the franchise's salons, and have an attorney read the contract and explain anything you do not understand, including your precise obligations and arrangements for paying the franchise fee. In most cases, whether or not you are profitable, you must pay the fee.

After reading the next few sections, you will be able to:

LO 4 Recognize the information that should be included in a business plan.

Business Plan

Regardless of the type of salon you plan to own, it is imperative to have a thorough and well-researched business plan. Remember, the business plan is a written plan of a business as it is seen in the present and envisioned in the future, and it follows your business throughout the entire process from start-up through many years in the future. Many, many books, classes, DVDs, and websites offer much more detailed information than can be provided here, but below is a sampling of the kinds of information and materials that a business plan should include.

- **Executive Summary.** Summarizes your plan and states your objectives.
- **Vision Statement.** A long-term picture of what the business is to become and what it will look like when it gets there.
- **Mission Statement.** A description of the key strategic influences of the business, such as the market it will serve, the kinds of services it will offer, and the quality of those services.
- **Organizational Plan.** Outlines employees and management levels and also describes how the business will run administratively.
- **Marketing Plan.** Outlines all of the research obtained regarding the clients your business will target and their needs, wants, and habits.
- **Financial Documents.** Includes the projected financial statements, actual (historical) statements, and financial statement analysis.
- **Supporting Documents.** Includes owner's resume, personal financial information, legal contracts, and any other agreements.
- **Salon Policies.** Even small salons and booth renters should have policies that they adhere to. These ensure that all clients and employees are treated fairly and consistently.

Purchasing an Established Salon

Purchasing an existing salon could be an excellent opportunity, but, as with anything else, you have to look at all sides of the picture. If you

DID YOU KNOW?

Your accountant may suggest that your business become an S Corporation (Small Business Corporation), which is a business elected for S Corporation status through the IRS. This status allows the taxation of the company to be similar to a partnership or sole proprietor as opposed to paying taxes based on a corporate tax structure. Or your accountant may suggest that your business become registered as an LLC (Limited Liability Company), which is a type of business ownership combining several features of corporation and partnership structures. Owners of an LLC also have the liability protection of a corporation. An LLC exists as a separate entity, much like a corporation. Members cannot be held personally liable for debts unless they have signed a personal guarantee.

choose to buy an established salon, seek professional assistance from an accountant and a business lawyer (figure 32-4). You can purchase all the assets of a salon, or some or all of its stock. It is important to know, if you purchase an established salon, you are not purchasing the staff or clientele. There is no guarantee that with new ownership the staff will be retained or that the clients will continue to return. In general, any agreement to buy an established salon should include the following items:

- A financial audit to determine the actual value of the business once the current owner's bookings are taken out of the equation. Often, the salon owner brings in the bulk of the business income, and it is unlikely you will retain all the former owner's clients without a lot of support and encouragement from that former owner. Any existing financial statements should also be audited.
- Written purchase and sale agreement to avoid any misunderstandings between the contracting parties.
- Complete and signed statement of inventory (goods, fixtures, and the like) indicating the value of each article.
- If there is a transfer of a note, mortgage, lease, or bill of sale, the buyer should initiate an investigation to determine whether there are defaults in the payment of debts.
- Confirmed identity of owner.
- Use of the salon's name and reputation for a definite period of time.
- Disclosure of any and all information regarding the salon's clientele and its purchasing and service habits.
- Disclosure of the conditions of the facility. If you are buying the actual building, a full inspection is in order, and many other legalities apply. Be guided by your realtor and attorney.
- Non-compete agreement stating that the seller will not work in or establish a new salon within a specified distance from the present location.



figure 32-4
A lawyer specializing in leases and business sales is a good source of professional advice.



ACTIVITY

Form student groups to plan the practical side of your own salons. Divide into teams. Designate certain tasks to specific team members, or decide if everyone will work on every task as a group.

- Each group should perform the following tasks:
- Decide on a name for their salon.
- Determine what services will be offered.
- Create fun signage for the salon's exterior.
- Write a vision statement for their salon.
- Write a mission statement for their salon.
- Create an organizational plan and a marketing plan for their salon.

Most students will not be able to develop complex budgets, but if you feel up to it, decide on a specific budget and allocate it to key areas, such as decorating, equipment, supplies, and personnel. Ask your instructors to provide feedback about whether your budget is realistic.

- An employee agreement, either formal or informal, that lets you know if the employees will stay with the business under its new ownership. Existing employee contracts should be transferable.

Drawing Up a Lease

In most cases, owning your own business does not mean that you own the building that houses your business. When renting or leasing space, you must have an agreement between yourself and the building's owner that has been well thought out and well written. The lease should specify clearly who owns what and who is responsible for which repairs and expenses. You should also secure the following:

- Exemption of fixtures or appliances that might be attached to the salon so that they can be removed without violating the lease.
- Agreement about necessary renovations and repairs, such as painting, plumbing, fixtures, and electrical installation.
- Option from the landlord that allows you to assign the lease to another person. In this way, obligations for the payment of rent are kept separate from the responsibilities of operating the business, should you decide to bring in another person or owner.

Protection Against Fire, Theft, and Lawsuits

- Ensure that your business has adequate locks, fire alarm system, burglar alarm system, and surveillance system.
- Purchase liability, fire, malpractice, and burglary insurance, and do not allow these policies to lapse while you are in business.
- Become thoroughly familiar with all laws governing cosmetology and with the safety and infection control codes of your city and state.
- Keep accurate records of the number of employees, their salaries, lengths of employment, and Social Security numbers as required by various state and federal laws that monitor the social welfare of workers.
- Ignorance of the law is no excuse for violating it. Always check with your regulatory agency if you have any questions about a law or regulation.

Business Operations

Whether you are an owner or a manager, there are certain skills that you must develop in order to successfully run a salon. To run a people-oriented business, you need:

- An excellent business sense, aptitude, good judgment, and diplomacy.
- Knowledge of sound business principles.

Because it takes time to develop these skills, you would be wise to establish a circle of contacts—business owners, including some salon owners—who can give you advice along the way. Consider joining a local entrepreneurs' group or your city's Chamber of Commerce in order to extend the reach of your networking. The Chamber of Commerce is a local organization of businesses and business owners whose goal is to promote, protect, and further the interests of businesses in a community.

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Optional info on **Salon Business** topics and tutorials can be found at miladypro.com
Keyword: *FutureCosPro*

Smooth business management depends on the following factors:

- Sufficient investment capital
- Efficiency of management
- Good business procedures
- Strong computer skills
- Cooperation between management and employees
- Trained and experienced salon personnel (figure 32-5)
- Excellent customer service delivery
- Proper pricing of services (figure 32-6)

Allocation of Money

As a business operator, you must always know where your money is being spent. A good accountant and an accounting system are indispensable. The figures in table 32-1 serve as a guideline, but may vary depending on locality.

After reading the next few sections, you will be able to:

LO5 Explain the importance of record keeping.

The Importance of Record Keeping

Good business operations require a simple and efficient record system. Proper business records are necessary to meet the requirements of local, state, and federal laws regarding taxes and employees. Records are of value only if they are correct, concise, and complete. Proper bookkeeping methods include keeping an accurate record of all income and expenses. Income is usually classified as receipts from services and retail sales. Expenses include rent, utilities, insurance, salaries, advertising, equipment, and repairs. Retain all check stubs, cancelled checks, receipts, and invoices. A professional accountant or a full-charge bookkeeper is recommended to help keep records accurate (table 32-1). Please note table 32-1 is a generalization, and percentages can vary from city to city. For example, rent in New York City may be a different percentage of sales than in Duluth, Minnesota.

The term *full-charge bookkeeper* refers to someone who is trained to do everything from recording sales and payroll to generating a profit-and-loss statement. The most important part of record keeping is having the ability to defend your business in the case of an audit by the federal or state government and to have accurate proof of all sales made and taxes paid.

Purchase and Inventory Records

The purchase of inventory and supplies should be closely monitored. Purchase records help you maintain a perpetual



figure 32-5
Coaching a new stylist

figure 32-6
Example of service menu of a high end image salon (See Chapter 30, Preparing for Licensure and Employment, for description).


ted gibson 	
cuts/style	\$
haircuts	75 / 95 / 125 / 150 / 175
updo	95 / 125 / 150 / 175 / 200 / 225
blow dry	50 / 75 / 95 / 125 / 150 / 175
color	\$
single process	75 / 95 / 125 / 150 / 175 / 200
double process	150 / 190 / 250 / 300 / 350 / 400
partial highlight	95 / 125 / 150 / 175 / 200 / 225
half head highlight	125 / 175 / 200 / 225 / 250 / 275
full head highlight	175 / 225 / 300 / 320 / 350 / 375
gloss w/ color service	35 / 50
gloss w/o color service	50 / 75 / 95
treatments	\$
conditioning treatment	60 / 75
relaxer	150 / 195 / 225 / 275 / 300
*service includes a haircut	
extensions	\$
sew-ins	consultation required at
platinum seamless	which point price of service
great lengths	will be determined
in-room rates	\$
	available upon request
pricing does not include gratuities	

table 32-1

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.

figure 32-7
Inventory of consumption supplies



inventory, which prevents overstocking or a shortage of needed supplies, and they alert you to any incidents of theft. Purchase records also help establish the net worth of the business at the end of the year.

Keep a running inventory of all supplies, and classify them according to their use and retail value. Those to be used in the daily business operation are **consumption supplies** (KON-sump-shun sup-LYZ) (figure 32-7). Those to be sold to clients are **retail supplies**. Both categories have different tax responsibilities, so be sure to check with your accountant that you are charging the proper taxes.

Service Records

Always keep service records or client cards that describe treatments given and merchandise sold to each client. Using a salon-specific software program for this purpose is highly recommended. All service records should include the name and address of the client, the date of each purchase or service, the amount charged, the products used, and the results obtained. Clients' preferences and tastes should also be noted. For more information on filling out these cards, and for examples of a client record card, see Chapter 4, Communicating for Success.

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After reading the next few sections, you will be able to:

LO6 Examine the responsibilities of a booth renter.

Booth Rental

Booth rental (BOO-th ren-tal), also known as *chair rental* is renting a booth or a station in a salon. This practice is popular in salons all over the United States. Many people see booth rental or renting a station in a salon as a more desirable alternative to owning a salon.

In a booth rental arrangement, a professional generally rents a station or work space in a salon for a weekly fee paid to the salon owner. A booth renter is solely responsible for his or her own clientele, supplies, record keeping, and accounting and has the ability to be his or her own boss with very little capital investment.

Booth rental is a desirable situation for many cosmetologists who have large, steady clientele and who do not have to rely on the salon's general clientele to keep busy. Unless you are at least 70 percent booked all the time, however, it may not be advantageous to rent a booth.

Although it may sound like a good option, booth renting has its share of obligations, such as:

- Keeping records for income tax purposes and other legal reasons.
- Paying all taxes, including higher Social Security (double that of an employee).
- Carrying adequate malpractice insurance and health insurance.
- Complying with all IRS obligations for independent contractors. Go to irs.gov and search for independent contractors.
- Using your own telephone and booking systems.
- Collecting all service fees, whether they are paid in cash or via a credit card.
- Creating all professional materials, including business cards and a service menu.
- Purchasing of all supplies, including back-bar and retail supplies and products.
- Tracking and maintaining inventory.
- Managing the purchase of products and supplies.
- Budgeting for advertising or offering incentives to ensure a steady flow of new clients.
- Paying for all continuing education.
- Working in an independent atmosphere where teamwork usually does not exist and where salon standards are interpreted on an individual basis.
- Adhering to state laws and regulations. To date, one state (Pennsylvania) does not allow booth rental at all; others may require that each renter in an establishment hold his or her own establishment license and carry individual liability insurance. Always check with your state regulatory agency.



DID YOU KNOW?

Currently, booth rental is legal in every state except Pennsylvania, where there is a law prohibiting it. In New Jersey, the state board does not recognize booth rental as an acceptable method of doing business.

As a booth renter, you will not enjoy the same benefits as an employee of a salon would, such as paid days off or vacation time. Remember, as a booth renter, when you do not work, you do not get paid. Perhaps most importantly, you must continually attract new clients and maintain the ones you have, which means working the hours your clients need you to be available. For more information on booth rental as a business option, reference Milady's: *Booth Renting 101: A Guide for the Independent Stylist*.

After reading the next few sections, you will be able to:

- LO 7** Distinguish the elements of successful salon operations.
- LO 8** Validate why selling services and products is a vital aspect of a salon's success.

Elements of a Successful Salon

The only way to guarantee that you will stay in business and have a prosperous salon is to take excellent care of your clients. Clients visiting your salon should feel that they are being well taken care of, and they should always have reason to look forward to their next visit. To accomplish this, your salon must be physically attractive, well organized, smoothly run, and, above all, sparkling clean.

Planning the Salon's Layout

One of the most exciting opportunities ahead of you is planning and constructing the best physical layout for the type of salon you envision. Maximum efficiency should be the primary concern. For example, if you are opening a low-budget salon offering quick service, you will need several stations and a small- to medium-sized reception area because clients will be moving in and out of the salon fairly quickly. Retail sales are essential to a profitable salon business. Make sure the products you carry and the space you design reflect the importance of high retail sales ([figure 32-8](#)).

However, if you are opening a high-end salon or luxurious day spa where clients expect the quality of the service to be matched by the environment, you may want to plan for more room in the waiting area. In fact, you might choose to have several areas in which clients can lounge between services and enjoy beverages or light snacks. The spa area and quiet rooms should be separated from busy, noisy areas where hair services are performed. Some upscale salons feature small coffee bars that lend an air of sophistication to the environment. Others offer quiet, private areas where clients can pursue business activities, such as phone or laptop work between services. Most salons provide complimentary wifi access to their guests. The retail area should be spacious, inviting, and well lit. High-end salons and spas are extremely costly to design, construct, and maintain. Construction alone can be upward of \$300 per square foot.

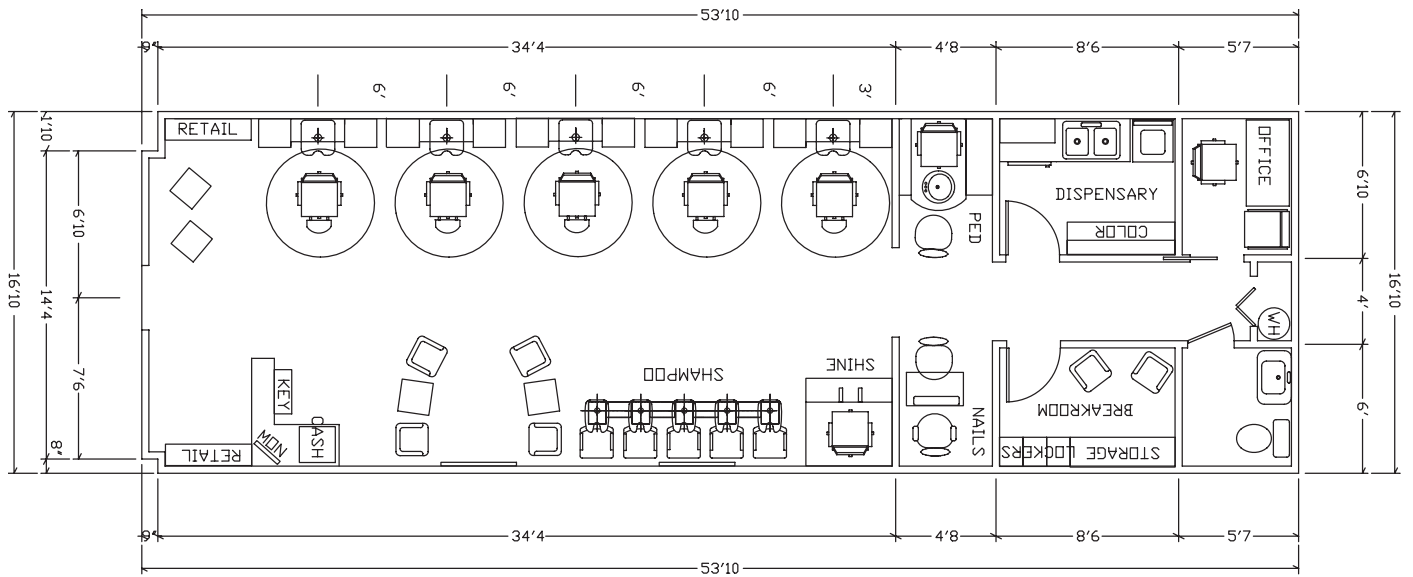


figure 32-8
Layout for a typical salon

Layout is crucial to the smooth operation of a salon. Once you have decided the type of salon that you wish to run, seek the advice of an architect with plenty of experience in designing salons. For renovations, a professional equipment and furniture supplier will be able to help you (figure 32-9).

Costs to create even a small salon in an existing space can range from \$75 to \$125 per square foot. Renovating existing space requires familiarity with building codes and the landlord's restrictions before you do anything. All the plumbing should be in the same area, and electrical wiring must be up to code. If they are not, you'll pay thousands extra. Before you begin, get everything in writing from contractors, design firms, equipment manufacturers, and architects. It is a good idea to get three quotes on everything from contractors and cleaning services to salon stations and equipment. Don't be afraid to negotiate whenever you can (figure 32-10).

Try to estimate how much each area in the salon will earn, so you can use space efficiently. An inviting retail display in your reception area is a good investment; on the other hand, an employee break area produces no income. In addition to start-up costs for creating your salon, you'll need financing for operational expenses. Realistically, you should plan to have at least several months and up to one year of expenses available to help get you up and running. It takes most new salons about six months to begin operating at full capacity

Personnel

Your **personnel** (PER-son-elle) is your staff or employees. The size of your salon will determine the size of your staff. Large salons and day spas require receptionists, hairstylists, colorists, nail technicians, assistants, massage therapists, estheticians, hair removal specialists, and housekeepers.

Smaller salons have some combination of these personnel who perform more than one type of service. For example, a stylist might also be the



figure 32-9
Salon haircolor dispensary

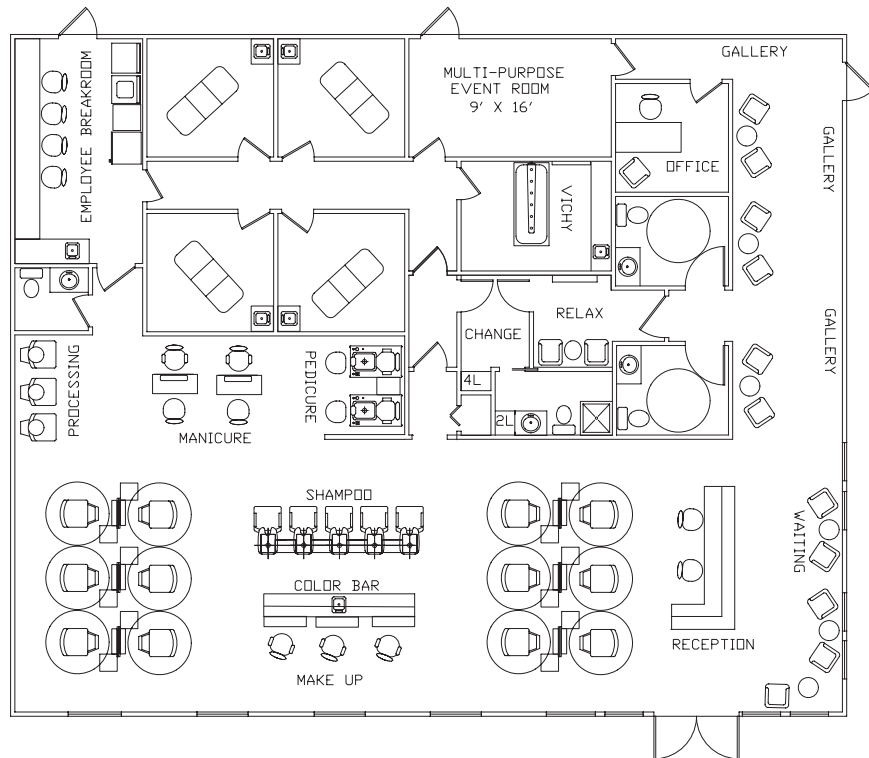


figure 32-10
A typical layout for a larger spa/salon

© Collins Manufacturing Company, Cookeville, TN.

colorist and texture specialist. Ultimately, whether your salon is large or small, high end or economical, the success of a salon depends on the attitude and quality of work done by the staff.

When interviewing potential employees, consider the following:

- **Level of skill.** What is their educational background? When was the last time they attended an educational event? How long have they been in the industry? What can they bring to the organization beyond hairdressing or haircoloring?
- **Personal grooming.** Do they look like professionals you would consult for personal grooming advice?
- **Image as it relates to the salon.** Are they too progressive or too conservative for your environment? Does their image reflect the image of your business?
- **Overall attitude.** Are they mostly positive or mostly negative in their responses to your questions? Do they seem self motivated and self directed?
- **Communication skills.** Are they able to understand your questions? Can you understand their responses?
- **Work history.** Have they been at a previous salon for many years, or do they hop from salon to salon? Are they bringing a clientele, or do they expect you to build one for them?

Making good hiring decisions is crucial. Undoing bad hiring decisions is painful for all involved, and it can be more complicated than one might expect.

Payroll and Employee Benefits

In order to have a successful business, one in which everyone feels appreciated and is happy to work hard to service clients well, you must be willing to share your success with your staff whenever it is financially feasible to do so. You can do this in a number of ways.

- Make it your top priority to meet your payroll obligations. In the allotment of funds, this comes first. It will also be your largest expense.
- Whenever possible, offer hardworking and loyal employees as many benefits as possible. Either cover the cost of these benefits, or simply make them available to employees, who can decide if they can cover the cost themselves.
- Provide staff members with a schedule of employee evaluations. Make it clear what is expected of them if they are to receive pay increases.
- Create and stay with a tipping policy. It is a good idea both for your employees and your clients to know exactly what is expected. It is also important to be familiar with the tax laws around tipping.
- Put your entire pay plan in writing.
- Create incentives by giving your staff opportunities to earn more money, prizes, or tickets to educational events and trade shows; when there is a reward involved it can inspire employees to achieve more.
- Create salon policies and stick to them. Everyone in the salon should be governed by the same rules, including you!

Managing Personnel

As a new salon owner, one of your most challenging tasks will be managing your staff. At the same time, leading your team can also be very rewarding. If you are good at managing others, you can make a positive impact on their lives and their ability to earn a living. If managing people does not come naturally, don't despair. People can learn how to manage other people, just as they learn how to drive a car or perform hair services. Keep in mind that managing others is a serious job. Whether it comes naturally to you or not, it takes time to become comfortable with the role.

Human Resources, or HR, is an entire specialty in its own right. It not only covers how you manage employees, it also covers what you can and cannot say when hiring, managing, or firing. All employers must be familiar with various civil rights laws, including Equal Employment Opportunity Commission (EEOC) regulations, and the Americans with Disabilities Act (ADA), which pertains to hiring and firing, as well as business design for accessibility. Every business should have a written personnel policies and a procedures manual, and every employee must read and sign it. If you choose to use a payroll company, they can provide HR services and employee manuals for a nominal fee. The more documented systems you have for managing human resources, the better.

There are many excellent books, both within and outside the professional salon industry that you can use as resources for learning about managing employees and staff. Spend an afternoon online or at your local bookstore researching the topic and purchasing materials or registering for classes that will educate and inform you. Once you have a broad base of

ACTIVITY

What would your dream salon look like? Try your hand at designing a salon that would attract the kinds of clients you want, offer the services you would like to specialize in, and provide an efficient, comfortable working environment for cosmetology professionals.

Draw pictures, use word pictures, or try a combination of both. Pay attention to practical requirements, but feel free to dream a little, too. Skylights? Fountains? You name it. It's your dream ([figure 32-11](#))!



figure 32-11
What does your dream salon look like?

information, you will be able to select a technique or style that best suits your personality and that of your salon.

The Front Desk

Most salon owners believe that the quality and pricing of services are the most important elements of running a successful salon. Certainly these are crucial, but too often the front desk—the operations center—is overlooked. The best salons employ professional receptionists to handle the job of answering phones, scheduling appointments, greeting clients, and attending to the client's needs.

The Reception Area

First impressions count, and since the reception area is the first thing clients see, it needs to be attractive, appealing, and comfortable. This is your salon's nerve center, where your receptionist will stand, where retail merchandise will be on display, and where the phone system is centered.

Make sure that the reception area is stocked with business cards and a prominently displayed price list that shows at a glance what your clients should expect to pay for various services.

The Receptionist

When it comes to staffing, your receptionist is second in importance only to your licensed professionals. A well-trained receptionist is crucial because the receptionist is the first and last person the client contacts. The receptionist should have an image that reflects your brand, should be pleasant, should greet each client with a smile, and should address each client by name. Efficient, friendly, and consistent service fosters goodwill, confidence, and satisfaction.

In addition to filling the crucial role of greeter, the receptionist handles other important functions, including answering the phone, booking appointments, informing professionals that a client has arrived, preparing daily appointment information for the staff, and recommending additional services and products to clients. The receptionist should have a thorough knowledge of all retail products carried by the salon so that she or he can also serve as a salesperson and information source for clients (figure 32-12).

During slow periods, it is customary for the receptionist to perform certain other duties and activities, such as straightening up the reception area and maintaining inventory and daily reports. Personal calls or personal projects are done on personal time, not at work.

Booking Appointments

The key duty of the receptionist is booking appointments. This must be done with care because services are sold in terms of time on the appointment page. Appointments must be scheduled to make the most efficient use of everyone's time—both the client and the service provider.

Under ideal circumstances, a client should not have to wait for a service, and a professional should not have to wait for the next client.

Booking appointments is primarily the receptionist's job, but when he or she is not available, the salon owner or

figure 32-12
A good receptionist is key to a salon's success.



manager or in small salons, or one of the other professionals can help with scheduling. It is important for each person involved in working the reception area to understand how to book an appointment and how much time is needed for each service. Regardless of who actually makes the appointment, anyone who answers the phone or deals with clients must have a pleasing voice and personality.

In addition, the receptionist must have the following qualities:

- Appearance that conveys your salon's image.
- Knowledge of the various services offered.
- Unlimited patience with both clients and salon personnel.

Appointment Book

The appointment book helps professionals arrange time to suit their clients' needs. It should accurately reflect what is taking place in the salon at any given time. In most salons, the receptionist prepares the appointment schedule for staff members; in smaller salons, each person may prepare his own schedule (**figure 32-13**).

Increasingly, the appointment book is a computerized book that is easily accessed through the salon's computer system. It may also be an actual hard copy book that is located on the reception desk. Some salons have websites with online booking systems, which tie in to salon management software.



figure 32-13
Computerized appointment book

Use of the Telephone in the Salon

An important part of the business is handled over the telephone. Good telephone habits and techniques make it possible for the salon owner and employees to increase business and improve relationships with clients and suppliers. With each call, a gracious, appropriate response will help build the salon's reputation. For example, "Thank you for calling Milady Salon, Shannon speaking. How may I help you?"

Good Planning

Because it can be noisy, business calls to clients and suppliers should be made at a quiet time of the day or from a quiet area of the salon.

When using the telephone, you should:

- Have a pleasant telephone voice, speak clearly, and use correct grammar. A smile on your face will be reflected in your voice and counts for a lot.
- Show interest and concern when talking with a client or a supplier.
- Be polite, respectful, and courteous to all, even though some people may test the limits of your patience.
- Be tactful. Do not say anything to irritate the person on the other end of the line.

Incoming Telephone Calls

Incoming phone calls are the lifeline of a salon. Oftentimes, an incoming call is your client's first impression of your business. Clients usually call

ahead for appointments with a preferred stylist, or they might call to cancel or reschedule an appointment. The person answering the phone should have the necessary telephone skills to handle these calls.

When you answer the phone, say, “Good morning (afternoon or evening), thank you for calling Milady Salon. How May I help you?” or “Thank you for calling Milady Salon. This is Jane speaking. How may I help you?” Some salons require that you give your name to the caller. The first words you say tell the caller something about your personality. Let callers know that you are glad to hear from them.

Answer the phone promptly. A good rule of thumb is to not let the phone ring more than three times. On a system with more than one line, if a call comes in while you are talking on another line, ask to put the first person on hold, answer the second call, and ask that person to hold while you complete the first call. Take calls in the order in which they are received.

If you do not have the information requested by a caller, either put the caller on hold and get the information, or offer to call the person back with the information as soon as you have it.

Do not talk with a client standing nearby while you are speaking with someone on the phone. Have one conversation at a time. You are doing a disservice to both clients.

Booking Appointments by Phone

When booking appointments, take down the client’s first and last name, their phone number, their email address, and the service booked. Many salons call the client to confirm the appointment one or two days before it is scheduled. Automated systems can send an e-mail or even a text message confirmation.

You should be familiar with all the services and products available in the salon and their costs, as well as which cosmetology professionals perform specific services, such as color correction. Be fair when making assignments. Don’t schedule six appointments for one professional and only two for another, unless it’s necessary because you are working with specialists.

However, if someone calls to ask for an appointment with a particular cosmetology professional on a particular day and time, make every effort to accommodate the client’s request. If the professional is not available when the client requests, there are several ways to handle the situation:

- Suggest other times that the professional is available.
- If the client cannot come in at any of those times, suggest another professional.
- If the client is unwilling to try another professional, offer to call the client if there is a cancellation at the desired time.

Handling Complaints by Telephone

Handling complaints, particularly over the phone, is a difficult task. The caller is probably upset and possibly short tempered. Respond with self-control, tact, and courtesy, no matter how trying the circumstances. Only then will the caller feel that he or she has been treated fairly.

The tone of your voice must be sympathetic and reassuring. Your manner of speaking should convince the caller that you are really concerned about the complaint. Do not interrupt the caller. After hearing the complaint in full, try to resolve the situation quickly and effectively.

Building Your Business

A new salon owner will want to get the business up and running as soon as possible to start earning some revenue and to begin paying off debts. The first area of opportunity for building your business is through social media.

Social Media

The term **social media** refers to a platform used to engage and communicate with groups of people by way of online communities, networks, websites or blogs, for personal or professional means. Social Media platforms such as Facebook, Twitter, YouTube, and Instagram are free to use and a great way to build awareness about your business and at the same time engage your audience in an interactive format. Some salons have one person in charge of their social media to control the content and ensure certain standards are met. Other salons allow the salon staff to post on their behalf.

Some guidelines to effectively using social media are:

- Have the same username for all accounts.
- Get permission from clients if you use their image in your posting.
- Post regularly so your followers pay attention.
- Respond to questions, comments, or “likes.”

Another, more costly option the new salon owner should consider is advertising the salon. It is important to understand the many aspects of advertising.

Advertising

The term *advertising* encompasses promotional efforts that are paid for and are directly indeed to increase business.

Advertising includes all activities that promote the salon favorably, from newspaper ads to radio spots to charity events that the salon participates in, such as fashion shows. In order to create a desire for a service or product, advertising must attract and hold the attention of readers, listeners, or viewers.

A satisfied client is the very best form of advertising because he or she will refer your salon to friends and family. So make your clients happy (**figure 32-14**)!

Then, have your clients work for you. Develop a referral program and a loyalty program in which the referring client reaps a reward.



figure 32-14
Customer satisfaction is your best advertising.



WEB RESOURCES

This chapter provides a general overview of the complex issues involved in salon ownership.

There are many resources on the Internet for further study. These can get you started:

Design

- beautydesign.com
Click on the Design Center tab to view various salon layouts and to see photos of salons from all over the world.
- collinsmfgco.com

Human Resources

- dol.gov/compliance/guide
The Department of Labor's website. Search for: employment law guide.
- eeoc.gov
Research relevant equal employment opportunity regulations; check out the compliance manual.
- hr.blr.com
Human resources-related business and legal reports. Find a forum, dozens of topics, and regulations by state.

Small Business Ownership and Operation

- business.com
Advice on business topics from A to Z and business resources for accounting, sales, marketing, technology, and more.
- isquare.com
The Small Business Advisor.
- salonbuilder.com
Information on starting a salon.
- smallbusinessnotes.com
Various business-related articles.
- strategies.com
The source for salon business growth seminars, training, and coaching.

Salon Software

- harms-software.com
- saloniris.com
- shortcuts.net
- salon-software.com
- salonbizsoftware.com

If you have some experience developing ads, you may decide to do your own advertising. On the other hand, if you need help, you can hire an agency or ask a local newspaper or radio station to help you produce the ad. As a general rule, an advertising budget should not exceed three percent of your gross income. Make sure you plan well in advance for holidays and special yearly events, such as proms, New Year's Eve, or the wedding season.

Make certain you know what you are paying for. Get everything in writing. No form of advertising can promise that you'll get business. Sometimes, local circulars can work well. You must know your clientele, which types of media they use, and what kinds of messages attract them.

Here are some tools you may choose to use to attract customers to the salon:

- Newspaper ads and coupons (**figure 32-15**).
- Build a website. If you don't have a large budget now, buy your domain name and keep that ownership current. You can set up a site very inexpensively and as your business grows, you can build it to have many pages and features. A website is an easy way for new clients to find you through Internet searches or friends-sharing links.
- E-mail newsletters and discount offers to all clients who have agreed to receive such mailings (Always include an *Unsubscribe* link.) You can also purchase e-mail lists targeted to your demographic to help you build your subscriber list.
- Website offerings, including those on your own website, social networking websites, and blogs.
- Direct mail to mailing lists and your current salon client list.



figure 32-15
Newspaper advertisement for services at the ted gibson salon.

Designed for ted gibson beauty by Laura Brill at 954 design.

- Classified advertising.
- Giveaway promotional items or retail packages, such as, “Buy a shampoo and conditioner, and get a hairbrush for free.”
- Window displays that attract attention and feature the salon and your retail products.
- Radio advertising.
- Television advertising.
- Community outreach by volunteering at women’s and men’s clubs, church functions, political gatherings, charitable affairs, and on TV and radio talk shows.
- Make donations of services for local organizations like school fundraisers.
- Client referrals.
- In-salon videos that promote your services and products.
- Create an on-hold message featuring your salons best attributes.

Many of these vehicles can help you attract new clients, but the first goal of every business should be to maintain current clients. It takes at least three salon visits for a new client to become a loyal current client. Encourage your staff to have their guests pre-book their appointments: Just because a client has visited the salon 100 times doesn’t mean he or she will come one more. By having a pre-booking system in place, you are guaranteeing future business. Once you have a loyal client base, it is far less expensive to market to that base. That is why you should follow up every visit to determine the client’s satisfaction and why you should personally contact any client who has not been in the salon for more than eight weeks.

Selling in the Salon

An important aspect of the salon’s financial success revolves around upselling (adding on additional services), cross promoting (encouraging a client who is booked for a haircut to also get a manicure or facial), and retailing (selling take-home or maintenance products). No matter the size or style of your business, adding services and retail sales to your service ticket means additional revenue. Remember—your client will spend money during his or her visit. It is your job to encourage your client to invest in retail and services that will keep him or her coming back for more but will help maintain to look you just gave them!

It is important that we as professionals feel confident in selling services and retail. Remove any negative feelings or stereotypes you have toward sales or sales people and start fresh. Helpful and knowledgeable professionals make customer care their top priority. These people play a major role in the lives of their customers and are very valuable to clients because they offer good advice. In fact, the successful salon owner, like the successful stylist, makes his or her living by giving complete beauty advice every day (figure 32-16).

ACTIVITY

All the planning in the world can’t guarantee success as much as a happy client can. Great customer service and a fabulous customer experience are the most important aspects of salon success. What will your customer service look like? Imagine you are calling or walking into your dream salon. Write down everything about your ideal experience as a customer, from the way you are greeted to the actual service to checkout at the desk when you leave. Include all five senses.



figure 32-16
Selling retail products benefits everyone.

REVIEW QUESTIONS

- 1 Name and describe the two most common options for going into business for yourself.
- 2 What responsibilities does a booth renter assume? What are the disadvantages of booth renting?
- 3 List at least three of the basic factors that potential salon owners should consider before opening their business.
- 4 How many types of salon ownership are there? Describe each.
- 5 List and describe the categories of information that should be included in a business plan.
- 6 Why is it important to keep good records? What types of records should be kept?
- 7 List and describe the five elements of a successful salon.
- 8 Why is selling services and products such a vital aspect of a salon's success?

STUDY TOOLS

- **Reinforce what you just learned:** Complete the activities and exercises in your Theory or Practical Workbook, or your Study Guide.
- **Expand your knowledge:** Search for websites about the topics in this chapter and make a list of additional resources.
- **Study and prepare for your quiz:** Take the chapter test in your Exam Review or your Milady U: Online Licensing Prep.
- **Re-Test your knowledge:** Take the Chapter 32 Quizzes!
- **Learn even more:** Look up in a dictionary or search the internet for the definitions of any additional terms you want to learn about.

CHAPTER GLOSSARY

booth rental BOO-th ren-tal	p. 1089	Also known as <i>chair rental</i> ; renting a booth or station in a salon.
business plan BIZ-nez plahn	p. 1081	A written description of your business as you see it today and as you foresee it in the next five years (detailed by year).
business regulations and laws BIZ-nez reg-U-lay-shuns AND LAWZ	p. 1081	Any and all local, state, and federal regulations and laws that you must comply with when you decide to open your salon or rent a booth.
capital	p. 1083	Money needed to invest in a business.
consumption supplies KON-sump-shun sup-LYZ	p. 1088	Supplies used in the daily business operation.
corporation KOR-pour-aye-shun	p. 1083	An ownership structure controlled by one or more stockholders.
demographics dem-oh-graf-iks	p. 1081	Information about a specific population including data on race, age, income, and educational attainment.

goals	p. 1080	A set of benchmarks that, once achieved, help you to realize your mission and your vision.
insurance	p. 1082	Guarantees protection against financial loss from malpractice, property liability, fire, burglary and theft, and business interruption.
partnership	p. 1083	Business structure in which two or more people share ownership, although not necessarily equally.
personnel PER-son-elle	p. 1091	Your staff or employees.
record keeping	p. 1082	Maintaining accurate and complete records of all financial activities in your business.
retail supplies	p. 1088	Supplies sold to clients.
salon operation	p. 1082	The ongoing, recurring processes or activities involved in the running of a business for the purpose of producing income and value.
salon policies	p. 1082	The rules or regulations adopted by a salon to ensure that all clients and associates are being treated fairly and consistently.
social media	p. 1097	Social media refers to a platform used to engage and communicate with groups of people through online communities, networks, websites or blogs, for personal or professional means.
sole proprietor SOHL PRHO-pry-eh-tohr	p. 1082	Individual owner and, most often, the manager of a business.
vision statement	p. 1080	A long-term picture of what the business is to become and what it will look like when it gets there.
written agreements	p. 1081	Documents that govern the opening of a salon, including leases, vendor contracts, employee contracts, and more; all of which detail, usually for legal purposes, who does what and what is given in return.

Chapter 1

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Timeline (Table 1-1)

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