

3 DEADLY MISTAKES ALL FAILED SALON OWNERS MAKE

That You're Probably
Making Too!

#2 WILL KILL YOUR

SALON BEFORE YOU

EVER MAKE A DOLLAR

Dwight Hodge - The Creative Leader

3 DEADLY MISTAKES ALL FAILED SALON OWNERS MAKE

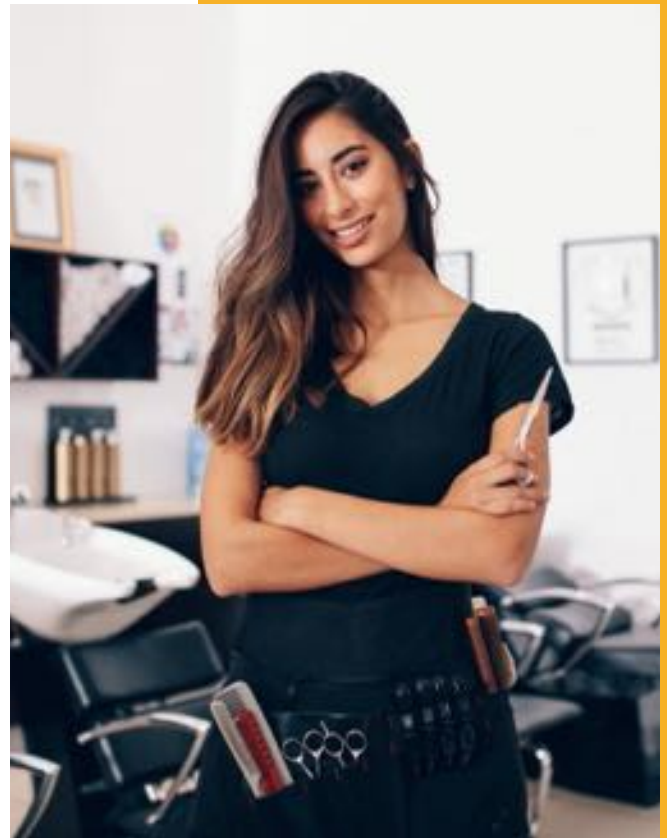
That You're Probably Making Too

You don't want to fall into the same traps, so many other salon owners have.

You opened your salon with such energy, optimism and excitement. But like many others, the day to day challenges keep getting in the way.

What if you could win back control reducing feelings of stress and overwhelm. Focus on the essential productive things and have the freedom to live the life you dreamt of when first throwing open the doors to your salon.

Over the next few pages uncover 3 things that if done right will save you tens if not hundreds of thousands of dollars.



#1 DO YOU FEEL HELD TO RANSOME BY YOUR STAFF?

Give them what they want, and
you're digging your own grave

You're right. It's hard to find good staff at the best of times. So you want to keep your team happy, stop them from leaving (and taking your clients with them).

But if you offer them more money, you might be signing your death wish.

**WHAT YOU DO TO KEEP A TEAM
MEMBER JUST MIGHT BE WHAT KILLS
YOUR BUSINESS.**

Failed salon owners never understood or noticed the compounding effects a slight increase in hourly pay has.



Let's take a look at the devastating impact little as \$5 can have on your business.

You've been thinking about giving your full-time senior that pay rise they've been asking for. They deserve it, right? You've worked together for close to two years, and they've been on award wages all that time. You hesitantly agree to a \$5 pay rise.

Hang on, what does that mean for you and your business? How crippling could a small \$5 raise really be?

How about we do the maths and figure it out. You might want to sit down for this...

\$5 pay rise

Pay rise:

\$5

X hours worked

38

+ Saturday loading

\$11.65

+ Super (10%)

\$20.16

Total

\$221.76

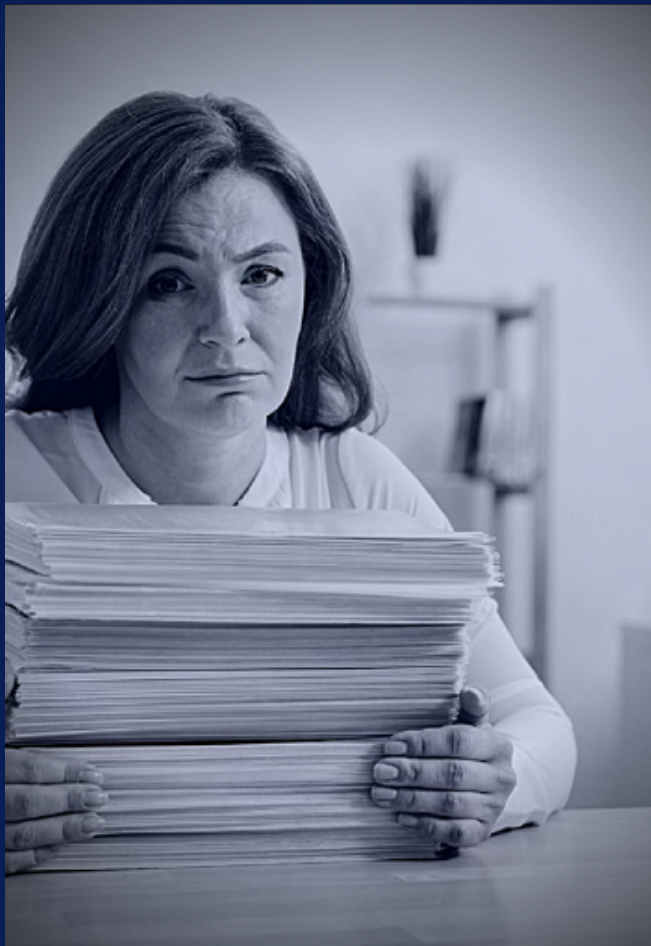
X 52 weeks

\$11,531.52

X 3 times wage

\$34,594.56

play along at home



Even if we stick to the somewhat floored concept of your stylist needing to do 3 x their wage, your senior needs to make a mammoth \$34,594.56 extra on top of what they already should be doing.

REMEMBER THAT'S CALCULATED ON JUST 5 BUCKS EXTRA FOR 1 STAFF MEMBER.

If your average client bill is \$100.00, you need about 7 extra clients per week to make up the difference. Is there even time in the week for 7 extra clients?

Don't get me wrong. I am not saying don't handsomely reward you people. Just consider the consequences if you increase their pay without figuring out how to make the staggering dollars needed.

What you're doing to keep a team just might be what kills your business.

#2 - THINK FINDING MORE CLIENTS WILL SAVE YOU? THINK AGAIN!

The second deadly mistake failed salon owners make is messing up their price lists.

There is often no formula involved, no calculations done, no theory as to why they charge what they do. They think about what the price list was at the salon they trained in. Stalk the opposition. Or just have a sense of what feels right.



Let's be honest they basically plucked a price from thin air. Then adjust it (usually down) for fear of standing out from the competition. And if we're really going to be honest, because they question their self-worth, failing to charge what they should.

If you don't have a strategy or fail to follow one, chances are you're stuffed!

I know what you're thinking!

Wow, Dwight you're full-on and straight to the point right from the get-go!

Is there no small talk, no foreplay before getting down and dirty into the intimate workings of my salon?

No!

Let's cut to the chase.

If you don't have a solid foundation and system for pricing your services, your business could be in trouble.

Let's do it!

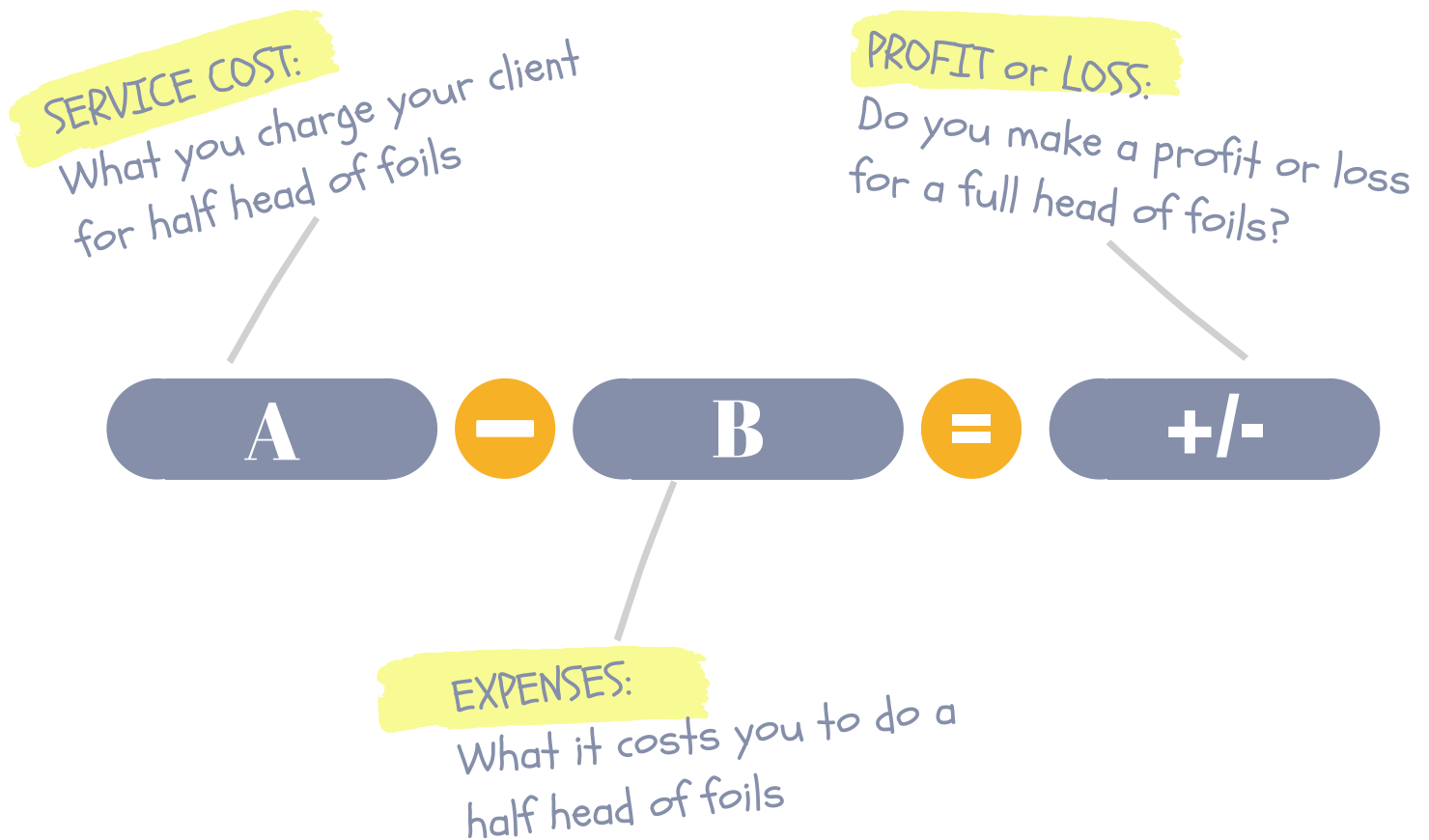
Let's look at a formula for how to set the correct prices for your services. You can get a feel for how you've done and if you need to tweak or re-do your price list.

Will you hear the ringing of the till as your profits roll in or the haunting creepy sounds of cobwebs and moths as you peer into a desolate bank account starved of funds?

Remember, although your salon serves clients, you are not a community service. You need to make a profit on every service.

HOW TO CALCULATE YOUR SERVICE PRICE:

This formula works for any service you offer. For this example, we are looking at a Full Head of Foils.



A

SERVICE COST

The price charged to your clients for a service.

B

EXPENSES

- wages
- product
- rent
- electricity
- water
- % of other salon expenses

+/-

PROFIT / LOSS

The money you make or lose after your expenses are paid

WHAT'S THE DIAGNOSIS? ARE YOU IN DEBT OR PROFIT?

There are two major areas to focus on when pricing your services, and one is nearly always forgotten. It's TIME!

The biggest expense in your salon is wages. The cost to employ people who look after the salon's clients (including yourself). Wages = Time.

You need to think about

1. **What you charge, and**
2. **The time it takes to do the service.**



Play along at home! How does your price list stack up?

SERVICE:

A B +/-

SERVICE:

A B +/-

SERVICE:

A B +/-

SERVICE:

A B +/-

STORYTIME

Katie's had her salon for 16 months. And although she hasn't confided in anyone, she feels more overwhelmed and stressed than ever before. Her initial feelings of excitement and anticipation have well and truly evaporated. Replaced with nervousness and anxiety.

When opening her salon, Katie wasn't sure what to charge. She looked at the price for a ladies cut and blow wave at the seven other local salons. They were charging between \$55 and \$90. Katie settles on \$75.



What Katie failed to notice when stalking her competition, was the length of time each salon allowed for a cut and blow wave.

The salons at the bottom end of the range (\$55-\$65) allowed 30-40 minutes. While the top end at \$90 allocated 60-minutes. Katie had always been given 60 minutes in the salons she had worked, so the thought never crossed her mind to do anything different.

Since opening, Katie's cut and blow waves have been \$75 and taken 60-minute.

Unfortunately, Katie was unaware each of her stylists needed to make \$85 per hour, to meet the salon's target.

Devastatingly, For every cut and blow wave Katie's team did, they lost 10 bucks.

At this rate, it's impossible for Katie ever to make money.

The average salon makes less than 10% profit. But Katie's salon isn't even making a small

profit. It's losing \$10 on every cut and blow wave!

Still unaware of the problem, Katie marketed the salon even more, and to her credit, won more new clients. Getting busier was the only solution Katie could see to solve the problem and make money.

But nothing changed. She became more stressed and overwhelmed the busier they got.

Katie now had four team members, including herself, almost fully booked. Each losing 10 bucks an hour. That's a deadly loss of \$40 an hour, every hour the salon was open.

Ok! Take a deep breath, because that is a shocking \$1,520.00 a week, or close to \$80,000.00 a year.

It doesn't matter how many new clients Katie can squeeze in. The more she does, the more money she loses. It's a vicious and deadly cycle.

#3 - MANAGE YOUR STOCK LIKE A DRUG DEALER, AND YOU'LL BE SWIMMING IN CASH.

Focus on the grams, and the grands look after themselves!

You're right.

It doesn't seem like much. A couple of grams here, a couple of grams there.

That little bit of colour left in the bowl. That last 5 or 10g not squeezed out of the tube.

The extra 10 grams you didn't need to apply but did because you mixed too much up.



Those few grams are suffocating your business.

Let's suppose you allow 40g of colour for an application. But with every application 10g is wasted, for whatever reason, over mixed, thrown out or wasted somehow.

That means your salon is wasting 25% of your colour!

You don't realise how much it adds up. Imagine you buy a tube of colour for \$10.00

Let's do the maths:

Tube of colour \$10.00 x 25% (wastage) you are flushing \$2.50 down the sink for every tube of colour you buy.

NO! that's not it at all. If you didn't sit down last time I suggest you do now...

It does not cost you \$2.50 per tube.

It costs you the income that wasted colour would have given you.

Let me explain.

For every 4 colour application you do, you waste enough colour for one full-colour application.

Stop and think about that for a moment.

What do you charge for a colour \$75, \$85, \$95 \$100+?

Every 4 colour services your salon does, you're flushing a tsunami load of cash down the sink.

To give you an idea of what it costs your salon each year, let's once again do the maths.

We'll take Katie's salon as an example,
Her stylists look after 30 clients a week, and 2/3 have a colour.

That's 20 colours a week and Katie charges \$85

Those few grams of colour here and there don't seem like much, do they?

That is until you realise you're flushing close to \$90,000.00 down the sink each and every year.

stylists weekly colour clients

20

X

Cost of colour service

\$85

X

colour wastage

25%

\$425

X

weeks of the year

52

X

number of hairdressers

4

\$88,400.00



These 3 deadly mistakes are costing Katie's salon \$306,778.24 a year!

That's over five thousand eight hundred and ninety dollars a week!!!

What would even an extra \$2,000 a week give you?

You feel in control, calm and relaxed? With money in your account, you sleep beautifully. And your newfound freedom brings with it a balance you had only dreamt of. Your cup is overflowing after another catch-up with friends and some more me-time.

The only question you ask yourself, why didn't I do this sooner?