



Creating salon success



Your most profitable treatments



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What is Profitability?

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Costing calculators

Knowing your most profitable
treatments



WHAT IS A PROFITABILITY?

What do we mean by profitability? Because being profitable is not just about making sales!!

Being profitable is about ensuring that the money you earn equates to much more than just covering the costs you incur...

We all go to work to earn money. I don't know about you, but I DID not start my business to earn minimum wage, if not less than!!

We know different treatments have different profits. Some are way more profitable than others and that is fine.

But it is important to know the difference in our treatments profit margins. This is for many reasons. For example, it can help with our marketing strategies.

What would you say is your most profitable treatments? Name your top 3.

- 1)
- 2)
- 3)

Many therapists assume because they are being paid for treatments, they are making a profit. Do you ever stop and think how busy you have been and then the money you have at the end of the week/month does not feel enough.

Through a number of factors many salon owners are missing out on making much more within each working hour.

This is why it is important to know your profit margins, to help us achieve our maximum business potential.

ASK YOURSELF...

There are some small business owners that just see profit as whatever is left over.

List below what you see as profit...

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Do you plan for profit?

Yes/No

Do you calculate profit into your pricing structure?

Yes/No

What do you believe residual income to be?

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Would you feel guilty if you thought about making money before everything else?

Yes/No

Do you use a costing calculator? One to work out your pricing for treatments and one to help you be aware of how much your salon needs to take per hour, to cover your costs and reach your goals.

Yes/No

Profit has to be planned...

MORE ON PROFIT

We need to factor profit into our goals and plans. Many business owners don't plan for it. This is a BIG mistake.

Some business owners treat their profits as "residual". Meaning, people think like: "If I work really hard and catch a few lucky breaks, at the end of the year there should be some cash in the bank left over after paying all the bills! That will be my profit and I hope it will be more than last year".

Is this you? I know it has been mean in the past.

Residual income means that money keeps coming in, even after a job is complete. An example of residual income; actors can get royalties, rental from investment properties is residual and so on...

Treating profit as a residual income is a common mistake which leads to many businesses failing.

Hope does not make profits!

Running a business without knowing/planning what the outcome will be is like playing the lottery. It is inconceivable to plan buying a house as soon as one buys a lottery ticket, because of course the possibility of winning is approximately one in almost 14 million according to statistics experts.

A more responsible way to manage a business is to treat profit as the first item of expense! How does that make you feel?

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I know so many people feel uncomfortable with this. However, how comfortable do you feel when you don't get paid for doing a job?

Ok, I do it because I love it **Not good at all, I never thought about it like that**

There are many times, therapists have done treatments and the profit has not been calculated.

Many people think the treatment costs me £4 and I'll pay myself £10 an hour so that is £1 profit for the business...

Nooooo. It is so much more than that. And so many other costs, we don't instantly think about.

Plus is £1 enough profit? If any costs come up in the business, will £1 cover it or does it have to come out of your £10 wages? Eek... So much to think about isn't there?

COSTING CALCULATORS

Do you use a costing calculator?

Yes/No

They can be as simple as an Excel spreadsheet, you can create your own.

Or you can use the one in the **resources** section.

From a mental point of view, the organisation toward profits in a business helps organise the mind.

From a technical perspective, it would not matter whether it was overheads, utilities, labour or materials considered first, because profit would always be calculated in.

If we don't calculate it, we often forget it. Many people think profit is their wage. I have said it before 'I don't know about you I did not start a business to earn minimum wage, with no holiday pay'. That is just crazy isn't it?

The formulas in the calculator would still give the correct cost. At the end of the year, profit is still what is left over after paying Direct Costs, Overhead Expenses, and before paying taxes.

A business that is set up on the basis of planned profit is a business that is focused and transparent. Setting a profit target and then tracking how closely the business comes to the goal is a major step toward truly running a company like a successful business should be run.

Business owner's who set profit targets and track how closely he or she is able to meet or surpass that goal takes a major step toward fully assuming the responsibility of being a business owner.

If a business is struggling just to have 'leftovers' and the bank account is constantly in the red, it's clearly time to get help in order to plan strategically and to set clear expectations.

In a nutshell, having a plan in order to achieve your desired goal is the key to achieving success and to experiencing continuous growth.

If you are not looking at your treatments and the profits they bring in. If you are not creating your business strategies for social media content and your marketing strategies. I am guessing you are not looking how you can generate more of your MOST profitable treatments, either.

We need to have formulas for pricing and formulas to know how much money our salon needs to earn to help your salon be profitable.

In business, we need to make sure we are earning the maximum amount possible within each working hour once our costs are considered. This comes back to needed to know the hourly rate our salon needs to take to reach our target earnings and our goals.

HOW MUCH SHOULD YOU BE TAKING?

How much does your business need to take per hour, to cover your costs, including making a profit?

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If you could choose, how much would YOU want to earn per year? By that I mean, what do you want your wages to be. So if you were employed would you be applying for jobs that has a salary of:

£20k £30k £50k £100k

If you answered what you would be happy with, go back again and think what would you LOVE to be taking home.

The reason I say this is, running a business is hard. You are a manager, you are an employer, you are a marketer and a therapist. Along with MANY more roles I haven't mentioned. If you picked £20k. Would you apply for a management role and 'be happy' with £20k?

Just think differently...

Profit and wages are separate

How much profit would you like to see for your business at the end of the year?

£20k £30k £50k £100k

Now YOU have those figures in your mind, we need to look at your treatment pricing.

This is linked to your pricing structure, it just helps you look at profit on a whole.

We want to get our minds thinking differently. Change that mindset.

WORK OUT YOUR TREATMENT PRICES

Understanding your treatment costs is vital when looking at your profit margins. Below is a table to help you look at your pricing, making sure you know what your actual costs are!

The utilities is taking into consideration your insurance, gas, electric, telephone. Notice how there is no cost factored in for extra training or advertising. This is why you **MUST** make a profit for the salon as all of this comes out of the business. I have called it money going back into the business. But we don't want a business that only works at cost, as this is not a very successful business at all. Is this making sense?

I have done an example using nails here. Now just because it says the minimum you should charge, it doesn't mean **ONLY** charge that. It just means that is your costs including some profit. You always need more on top of this.

I just need you to see clearly on your costs.

Treatment	Product cost	Time it takes	Staff wages	Utilities 30% of product cost & wages	Total cost to salon - add up all 4 column	Money going back into the business - (minimum 50% of cost)	Minimum price you must charge
Gel Nails	3.50	1 hour	£10	£2.70	£16.20	£8.10	£24.30

This next table is the actual profit for your business.

Treatment	Money going back into the business - (minimum 50% of cost)	Minimum price you must charge	Price client will pay (minimum)	Actual profit
Nails	£8.10	£24.30	£30	£5.70

This is why it is really useful to know your most profitable treatments. As this can help you maximise your profits through targeted advertising. Can you see the **actual profit** is maybe not what you originally thought.

WORK OUT YOUR PRICES...

Use this table to help you look at your pricing to make sure you know what your actual costs are, what your wages are and also what your profit margin is, or what you would like it to be... Focus on **PROFIT!!**

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TIPS

How to ensure profitability and boost it...

First you need to look at what you are earning...

Break it down by treatment, time and cost involved in delivering these treatments and against current treatment cost, what % of clear profit are you making per treatment.

For this you need to know the treatment cost per treatment (such as disposables, approximate product cost including any wastage plus your time). Also look at your appointment diary and tot up total earned for each hour of your diary and also overall for each day.

Do this for the last month or so. See if you can identify the hours and/or days where you are earning the most. Are there any gaps in your diary that you just couldn't fill? Is there any pattern to which treatments are booked together or at specific times/days?

Or indeed to where you have no appointments or gaps in appointments.

This will help you to identify your 'peak' appointment hours/days and 'off-peak' appointment hours/days.

None busy times of day or times of year

From identifying the hours most in demand by clients, these should be the hours where you either charge a premium or only book in treatments which earn you the greatest % profit.

During off-peak hours you could offer a small % reduction in the treatment price to help fill these hours, look at shorter treatments with high % profit margins that you could tack on to longer treatments to fill gaps in your appointment diary or consider only allowing bookings of less profitable treatments within these time slots.

Run promotions applicable only to off-peak times ideally as this really helps you fill the most useful times to suit you and not your clients.

If a client wants or needs an appointment during peak hours, they will need to 'pay' for the privilege so to speak as these are appointment times that would otherwise fill at full price regardless.

The aim is to ensure that each working hour is filled productively to allow you to earn the most in each hour by working smart. Turn around time between clients also eats into productivity and therefore profitability.

I'm not a fan of discount salons, so be careful when doing this and think strategically...

THINKING DIFFERENTLY NOW...

What are your busiest days?

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When are your busiest times of day?

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When are you the MOST quiet?

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What are you actual MOST profitable treatments?

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Do they match what you said at the beginning of this workshop?

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TAKE AWAYS FROM TODAY

Profit comes FIRST!! But, make sure you **include a salary** for yourself – your time is valuable and you need to include it when calculating your prices.

Cover all costs - The price of each service should cover the cost associated with it, its contribution to overheads and profit. A successful strategy is one that results in the most pounds after all the costs have been met.

Inflation increases your cost of doing business, with the prices of your materials, overheads and other costs increasing. If you maintain your prices despite rising inflation, you will erode your profit margin.

Once you've established your prices, remember to **constantly monitor operating costs** to insure profit.

YOU are the business owner and the visionary for your salon. Be that person!! And be paid well for it too.

Money has to go back into the business for generating new treatments, new products, extra training and also helping the business grow. Otherwise you will stand still.

You still need to make a profit for your business, even after this!

Pricing is important for several reasons – it will determine the profit margins for your salon, and in the end, your own salary!

Get your **strategies right**. You are running a business, not just doing a job.

Think carefully here. You've GOT this!!!

Lots of love

Louisa xx



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