

22

The Salon Business

Chapter Outline

- Why Study the Salon Business?
- Going into Business for Yourself
- Operating a Successful Salon
- Building Your Business
- Selling in the Salon



Learning Objectives

After completing this chapter, you will be able to:

- ✓ LO1** Identify two options for going into business for yourself.
- ✓ LO2** Describe the responsibilities of a booth renter.
- ✓ LO3** List the basic factors to be considered when opening a salon.

✓ LO4 Distinguish the types of salon ownership.

✓ LO5 Identify the information that should be included in a business plan.

✓ LO6 Discuss the importance of record keeping.

✓ LO7 List the elements of successful salon operations.

✓ LO8 Explain why selling services and products is a vital aspect of a salon's success.

Key Terms

Page number indicates where in the chapter the term is used.

| | | | |
|--|-----------------------------------|------------------------------|---------------------------------|
| booth rental / 481 | consumption supplies / 492 | insurance / 485 | salon operation / 485 |
| business plan / 484 | | partnership / 486 | salon policies / 485 |
| business regulations and laws / 484 | corporation / 486 | personnel / 494 | sole proprietor / 486 |
| capital / 486 | demographics / 484 | record keeping / 485 | vision statement / 483 |
| | goals / 483 | retail supplies / 492 | written agreements / 484 |



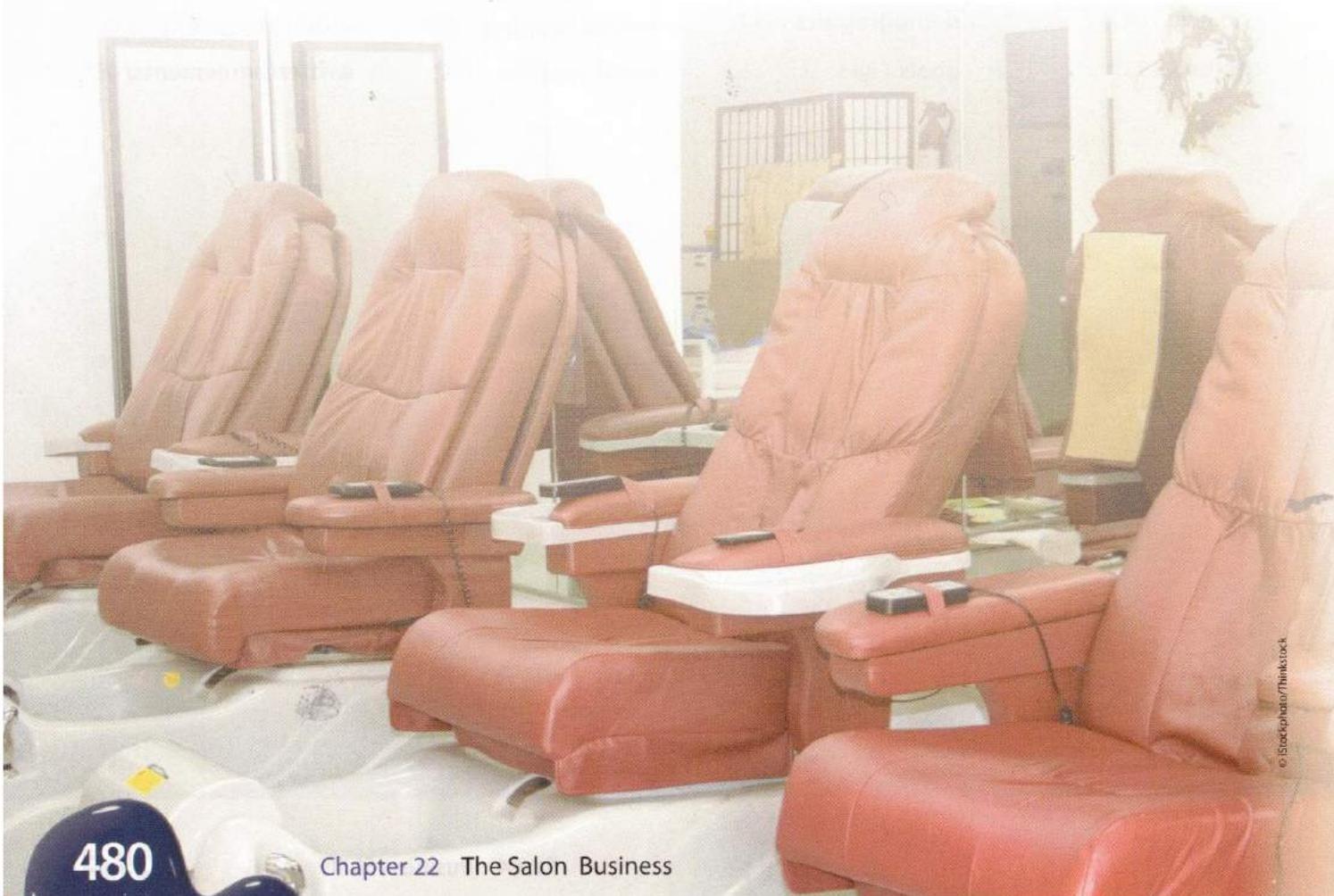
The better prepared you are to be both a great artist and a successful businessperson, the greater your chances of success.

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. The following information is only meant to be a general overview.

WHY STUDY THE SALON BUSINESS?

Nail technicians should 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 salon owners are former stylists.
- Even if you spend your entire career as someone's employee, you should be familiar with the rules of business that affect the salon.
- 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 only ever focus on the artistic aspect of salon and spa work, business knowledge will serve you well in managing your career, professional finances, and business practices.



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GOING INTO BUSINESS FOR YOURSELF

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) renting a booth in an existing salon or (2) owning your own salon or spa. Both options have their pros and cons; both are extremely serious undertakings that require significant financial investment and a strong line of credit. Salon and spa owners have a very different job than nail technicians. Typically, owners continue to provide services for clients while they manage the business. This is extremely time-consuming and there is no guarantee of profits, which is why salon or spa ownership is definitely not for everyone.

As a person in business, you will need to ensure that you have your future secured by paying your Social Security and filing your income tax returns. If you sell retail, you may need to obtain a reseller's permit or other license. Check with your state to determine the licensure you will need (**Figure 22–1**).  **LO1**



Colleen Biesca Photography and MARIPOSA Studio.

▲ **Figure 22–1** Nail salon owner preparing for a grand opening.

Booth Rental

Booth rental, also known as chair rental, is when a nail technician rents a booth or 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 nail technician generally:

- Rents a station or workspace in a salon from the salon owner.
- Is solely responsible for her own clientele, furniture, telephone, advertising, towels, insurance, laundry, supplies, record keeping, and accounting.
- Pays the salon owner a weekly fee for the use of the booth.
- Becomes her own boss for a relatively small amount of money.

Booth rental is a desirable situation for many professionals who have a large, steady clientele and do not have to rely on the salon or spa'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 <http://www.irs.gov> and search for "independent contractors.")
- Using a separate telephone and booking system
- Collecting all service fees, whether they are paid in cash or by check or 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 continuing education
- Working in an independent atmosphere where teamwork usually does not exist, and salon and spa 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 hold his or her own establishment license and carry individual liability insurance. Always check with your state regulatory agency.

As a booth renter, you will not enjoy the same benefits as an employee of a salon or spa would, such as paid days off or vacation time. Remember, 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; this means working when your clients want you to be available. **LO2**

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Opening Your Own Salon

Opening your own salon or spa is a huge undertaking, financially, physically, and mentally, because you will face challenges that are complex and unfamiliar to you.

Many students and seasoned professionals hope to one day open their own salon. Before embarking on this wonderful journey, it is crucial that you have had enough experience working in your profession to understand what is required to operate a successful business. Perhaps you may want to first gain experience in booth rental so you can practice marketing your services and managing the record keeping and accounting this will entail. Once you have established that you are ready to grow and open your own salon or spa, gain more real world information by learning from those who are in business for themselves. Make an effort to seek out and meet owners of successful salons and spas that are of the style and size that you wish to own. Talk to these seasoned business professionals and get some insight into the responsibilities and requirements that will be placed on you as an owner. Ask questions such as: What do you love about owning your business? What is most challenging? What would you do differently? What was your business background? Their answers will start your thinking process and give you an indication of what you will need to do to be successful.

Before you can open your doors, you'll need to decide what products to use and carry, what types of marketing and promotions to carry out, the best method and philosophy for running the business, and whom to hire if you need additional staff.

Regardless of the type of salon or spa you hope to open, you should carefully consider some basic issues and complete some basic tasks. Both are outlined in the following section.



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Setting Goals: Create a Vision and Mission Statement for Your Business

A **vision statement** is a long-term picture of what a business is to become. A mission statement is 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.

Goals are a set of benchmarks that, once achieved, help you to realize your mission and your vision. You can set both short- and long-term goals for your business.

Create a Business Timeline

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

- Year 1: It could take a year or more to determine and complete all of the aspects of starting the business.
- Years 2 to 5: This is the time to tend to the business, its clientele, and its employees and to grow and expand the business so that it is profitable.
- Years 5 to 10: This period can be dedicated to establishing additional locations, expanding the scope of the business (e.g., adding spa services), and/or constructing a larger space or anything else you or your clients need and want.
- Years 11 to 20: At this stage, you may want to transition from being a working technician into the role of full-time manager of the overall business and begin planning for your eventual retirement.
- Year 20 onward: This may be the perfect time to consider selling or restructuring your successful business; you may take on a junior partner and train him or her to take over the day-to-day operations of the business so you can explore interests or hobbies.

Determine Business Feasibility

Determining whether the business you envision is feasible means addressing certain practical issues. For example, do you have a special skill or talent that will set your business apart from other nail businesses in your area? Does the town or space 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 the funding available to you?

Credit standing is a strong indicator of the feasibility of securing a business loan. Your credit worthiness is gauged primarily on your credit score. A credit score is an indicator, assigned by a credit agency, of your ability to pay your outstanding debt. Scores range from 300 to 850 (the higher your score, the stronger your credit).

Experian, TransUnion, and Equifax are the three major credit agencies. Each score is based on information about you that the credit bureau keeps on file.



Your credit score affects both how much and what loan terms (interest rate, etc.) lenders will offer you. It is a good idea to know your credit score before you consider applying for a business loan. Obtain your free report at www.myfico.com to learn where you stand.

If you have not yet established credit, start off by obtaining a small line of credit through a credit card or store. If you have a low credit score, the most powerful way to repair it is to pay your bills on time and lower your outstanding debt.



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▲ **Figure 22–2** The location of the nail salon should have good visibility and high traffic.

Written Agreements

The opening of a salon is governed by many **written agreements** and documents, including leases, vendor contracts, employee contracts, and more. 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 or spa, you must develop a **business plan**, a written description of your business as you see it today and as you foresee it in the next 5 years (detailed by year).

A business plan is more of an agreement with yourself. 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**, 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 5 years. A certified public accountant (CPA) can be invaluable in helping you gather financial information. The chamber of commerce in your proposed area typically has information on area demographics. **LO3**

Business Regulations and Laws

Business regulations and laws are any and all local, state, and federal regulations and laws that you must comply with when you open your salon or rent a booth. Since the laws vary from state to state and from city to city, it

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There are countless books written about business operations and starting your own business. Check <http://milady.cengage.com> for recommended resources.

is important that you contact your local authorities about 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 SDSs, Safety Data Sheets (formerly known as MSDSs) for this purpose. You must also be aware of the many federal laws that apply entitlements (e.g., Social Security and unemployment), and workplace behavior.

Insurance

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, reoccurring 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. An automated point-of-service program (POS) will automate most of your record keeping for you and even maintain your client product purchase list. For more information on salon or spa POS systems, visit the Web sites listed under Web Resources on page 498.

Salon Policies

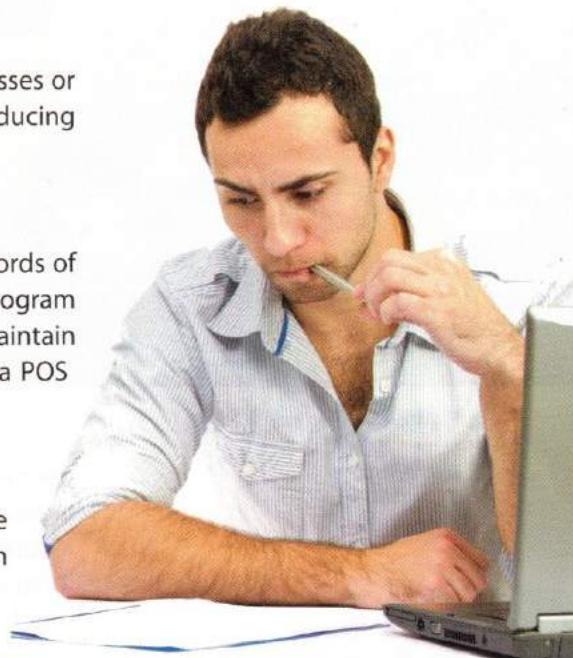
Salon policies are the rules and regulations adopted by a salon to ensure that all clients and associates are being treated fairly and consistently. Even small salons and booth renters should have salon policies in place.

Salon Sanitation

It is the responsibility of every beauty professional to follow sanitation guidelines to prevent the spread of germs and disease. As a salon or spa owner, these guidelines should be posted in the back room, with daily logs recording the sanitization schedule of the salon and spa equipment. Check with your state board of barbering and cosmetology to determine your state's requirements. Officials from the governing agency have the authority to investigate complaints made by clients and to conduct random evaluations of salons and spas.

Types of Salon Ownership

A salon business can be owned and operated by an individual, a partnership, or a corporation. Before deciding which type of ownership is most desirable for your situation, research each option thoroughly.



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** is the individual owner and, most often, the manager of the business who:

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

Partnership

Partnerships may provide you with opportunity for increased investment and growth. They can be magical with the right chemistry—or disastrous if you find yourself linked with someone you wish you had known better in the first place.

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 22–3**).
- Keep in mind that partners must assume one another's liability for debts.

Corporation

A **corporation** is an ownership structure controlled by one or more stockholders. Incorporating is one of the best ways that a business owner can protect his or her 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 on taxes, provides greater 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:

- Capital is money needed to invest in a business. 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 the business may 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, not on the total profits of the business.



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▲ **Figure 22–3** Two independent owners meet to discuss a partnership.

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When you open your own business, you should consult with an attorney and an accountant before filing any documents to legalize your business. Your attorney will advise you of the legal documents and obligations that you will take on as a business owner while your accountant can inform you of the ways in which your business may be registered for tax purposes.

- 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 nail salon or spa, 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.

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 other franchise salons and spas with the same name cannot open up within your fixed geographical 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 salons or spas, 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.  **LO4**

Business Plan

Regardless of the type of salon or spa you plan to own, it is imperative to have a thorough and well-researched business plan. Remember, the business plan is a document that maps out a business as it is seen in the present and envisioned in the future. A business plan follows your business throughout the entire process, from startup through many years ahead. Many, books, classes, DVDs, and Web sites offer much more detailed information than can be provided here; however, the following is a list of the information and material that a business plan should include:

- 1. Executive summary.** Summarizes your plan and states your objectives.
- 2. Vision statement.** A long-term picture of what the business is to become and what it will look like when it gets there.
- 3. 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.
- 4. Organizational plan.** Outlines employee and management levels and also describes how the business will run administratively.
- 5. Marketing plan.** Outlines all of the research obtained regarding the clients your business will target and their needs, wants, and habits.

Did You Know?

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

- <http://www.entrepreneur.com>
- <http://www.sbaonline.sba.gov>
- <http://www.score.org>

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 proprietorship 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 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.

6. *Financial documents.* Includes the projected financial statements, actual (historical) statements, and financial statement analysis.
7. *Supporting documents.* Includes the owner's résumé, personal financial information, legal contracts, and any other agreements.
8. *Salon policies.* Even small nail salons and booth renters should have policies that they adhere to. These ensure that all clients and employees are treated fairly and consistently.  **LO5**

Purchasing an Established Salon



 **Figure 22–4** A potential nail salon owner should meet with an attorney before purchasing a nail business.

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Purchasing an established salon or spa could be an excellent opportunity; however, as with anything else, you have to look at all sides of the picture. If you choose to buy an established salon or spa, seek professional assistance from an accountant or business lawyer. You can purchase all the assets of a salon and spa or some or all of its stock. In general, any agreement to buy an established salon or spa should include the following items (**Figure 22–4**):

- A financial audit. This will determine the actual value of the business once current owners bookings are taken out of the equation. Often, the salon or spa owner contributes the bulk of the business income; it is unlikely that you will retain all the former owners' clients without a lot of support and encouragement from the former owner. Any existing financial statements should also be audited.

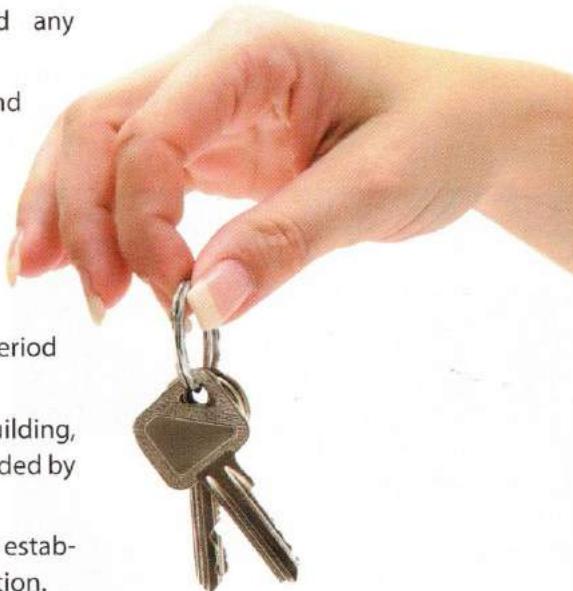
Activity

Divide into teams of students to plan the practical side of your own nail salon or spa. Decide whether specific team members will carry out certain tasks or if everyone will work on every task as a group. Each group should perform the following tasks:

- Decide on a name for the salon or spa.
- Determine what services will be offered.
- Create fun, inviting signage.
- Write a mission statement.
- Create an organizational plan and a marketing plan.

Most students will not be able to develop complex budgets; however, 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.

- A written purchase and sale agreement. This will avoid any misunderstandings between contracting parties.
- A 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 payment of debts.
- The confirmed identity of the owner.
- The use of the salon or spa's name and reputation for a definite period of time.
- A disclosure of the condition of the facility. If buying the actual building, a full inspection is in order, and many other legalities apply. Be guided by your realtor and attorney.
- A non-compete agreement stating that the seller will not work or establish a new salon within a specified distance from the present location.
- 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 transferrable.



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 with the building's owner that has been well thought out and well written. The lease should clearly specify who owns what and who is responsible for which repairs and expenses. You should also secure the following:

- An exemption of fixtures or appliances that might be attached to the salon so that they can be removed without violating the lease.
- An agreement about necessary renovations and repairs, such as painting, plumbing, fixtures, and electrical installation.
- An 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.



Protecting against Fire, Theft, and Lawsuits

There are several practical steps you can take to ensure you safeguard your business. It is critical to protect your assets and to be mindful of laws governing your business practices.



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▲ **Figure 22–5** Experienced nail educator provides helpful tips to a novice technician.

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

The menu is titled "NAILS by bernadette". It includes sections for "NATURAL NAILS", "FULL SETS & MAINTENANCE: MONOMER & POLYMER, UV GELS & WRAPS", and "NAIL ART". Each section lists services and their prices.

| NATURAL NAILS | |
|---|---------------------------|
| \$20 | Manicure |
| \$35 | Pedicure |
| \$50 | Manicure & Pedicure Combo |
| FULL SETS & MAINTENANCE: MONOMER & POLYMER, UV GELS & WRAPS | |
| \$45-65 | Full Sets |
| \$25-40 | Maintenance |
| starting at \$65 | Pink & White Full Sets |
| \$45-55 | Pink & White Maintenance |
| NAIL ART | |
| price varies upon consultation | |
| Free-Hand designs include acrylic paints in assorted colors, glitters, assorted rhinestones, floral nail designs etc. | |
| Also available: Airbrush designs with stencils | |
| 2-D and 3-D nail art | |
| Inlaid designs | |

NATURAL NAILS

| | |
|------|---------------------------|
| \$20 | Manicure |
| \$35 | Pedicure |
| \$50 | Manicure & Pedicure Combo |

FULL SETS & MAINTENANCE: MONOMER & POLYMER, UV GELS & WRAPS

| | |
|---------|-------------|
| \$45-65 | Full Sets |
| \$25-40 | Maintenance |

price varies per color

Specialty full sets with colored Monomer & Polymer
Specialty maintenance with colored Monomer & Polymer

NAIL ART

price varies upon consultation

Free-Hand designs include acrylic paints in assorted colors, glitters, assorted rhinestones, floral nail designs etc.

Also available: Airbrush designs with stencils
2-D and 3-D nail art
Inlaid designs

▲ **Figure 22–6** Example of a nail salon service menu and price list.

Business Operations

Whether you are an owner or a manager, there are certain skills that you must develop in order to run a salon or spa successfully. 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 or spa owners—who can give you advice along the way. Consider joining a local entrepreneurs group, or your city's chamber of commerce, to extend the reach of your networking.

Smooth business management depends on the following factors:

- Sufficient investment capital
- Efficiency of management
- Good business procedures
- Cooperation between management and employees
- Trained and experienced salon and spa personnel (**Figure 22–5**)
- Excellent customer service
- Proper pricing of services (**Figure 22–6**)

Allocation of Money

As a business operator, you must always know how your money is being spent. A good accountant and an accounting system are indispensable. The figures in **Table 22-1** serve as a guideline, but may vary depending on locality.

Table 22-1 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 of Kopka Orie CPAs & Advisors in York, NE, nationally known as the only accounting firm that specializes in salons and spas.

The Importance of Record Keeping

Good business operations require a simple and efficient record-keeping 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 check stubs, canceled checks, receipts, and invoices. A professional accountant or a full-charge bookkeeper is recommended to help keep records accurate. A full-charge bookkeeper is someone who is trained to do everything from recording sales and payroll to generating a profit-and-loss statement.



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Photography by Joseph Schuyler.

▲ Figure 22–7 Consumption supplies for a nail station.

Purchase and Inventory Records

The purchase of inventory and supplies should be closely monitored. Purchase records help you maintain a perpetual inventory, which prevents overstocking or 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** (Figure 22–7). Those to be sold to clients are **retail supplies**.

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, products used, and results obtained. Clients' preferences and tastes should also be noted. For more information on filling out these cards and for an example of a client consultation card, see Chapter 4. 

■ OPERATING A SUCCESSFUL SALON

The only way to guarantee that you will stay in business and have a prosperous salon or spa is to take excellent care of your clients. Clients visiting your salon or spa should feel well taken care of and 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 nail salon or spa you envision. Maximum efficiency should be the primary concern. For example, if you are operating 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. Your retail area may be on the small side because your clients may not have a lot of disposable income to spend on retail products.

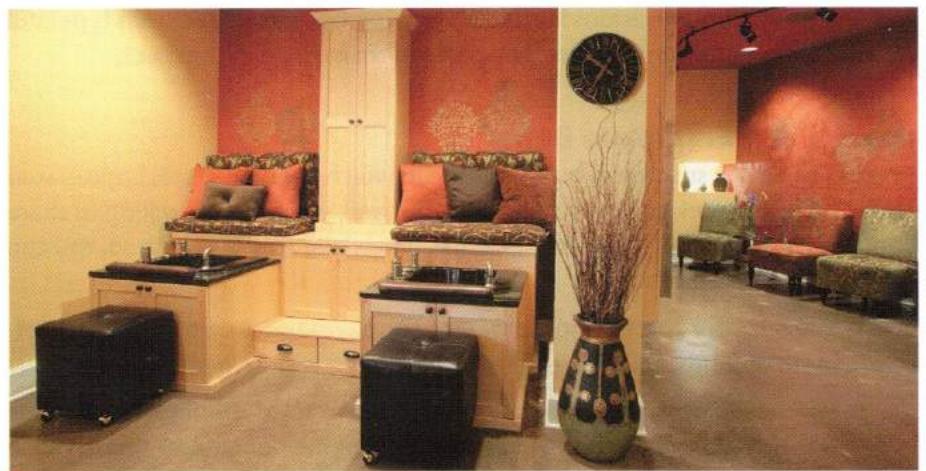
However, if you are opening a high-end, full-service salon or luxurious day spa where clients expect the quality of the service to match the environment, you will want to plan for more room in the waiting area (**Figure 22–8**). You may, in fact, choose to have several areas in which clients can lounge between services and enjoy beverages or light snacks. If your nail salon will be part of a spa environment, 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 work or laptop work between services. The retail area should be spacious, inviting, and well lit. Your retail area may be any size that is appropriate for the number of products that the salon carries.

Layout is crucial to the smooth operation of a salon or spa. After you have decided on the type of salon that you wish to run, seek the advice of an architect with plenty of experience in designing salons and spas. For renovations, a professional equipment and furniture supplier will be able to help you (**Figure 22–9**).



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▲ **Figure 22–8** Beautifully remodeled reception area.



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◀ **Figure 22–9** Typical layout of a nail salon.

Activity

What would your dream salon or spa look like? Try your hand at designing a salon or spa 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 nail technician professionals.

Draw pictures, use magazine clippings, or try a combination of both. Pay attention to practical requirements, but feel free to dream a little too. Skylights? Fountains? An employee exercise room? You name it. It's your dream (**Figure 22–10**)!



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▲ **Figure 22–10** Could this be your dream salon?

Personnel

Your **personnel** consists of your staff or employees. The size of your nail salon will determine the size of your staff. Large nail salons and nail spas require nail technicians, receptionists, and management specialists and can include a variety of other specialty consultants. Smaller salons have some combination of these personnel who perform more than one type of service. The success of a salon and spa depends on the quality of the 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?
- Personal grooming. Do they look like you would want their advice about personal grooming?
- Image as it relates to the salon or spa. Are they too progressive or too conservative for your environment?
- Overall attitude. Are they mostly positive or mostly negative in their response to your questions?
- Communication skills. Are they able to understand your questions? Can you understand their responses?

Making good hiring decisions is crucial. Undoing bad hiring decisions is painful for all involved and 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 and 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 the 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.
- Put your entire pay plan in writing and discuss it with employees.
- Create incentives by offering your staff opportunities to earn more money, prizes, or tickets to educational events and trade shows.
- Create salon and spa policies and stick to them. Everyone in the salon and spa should be governed by the same rules, including you!



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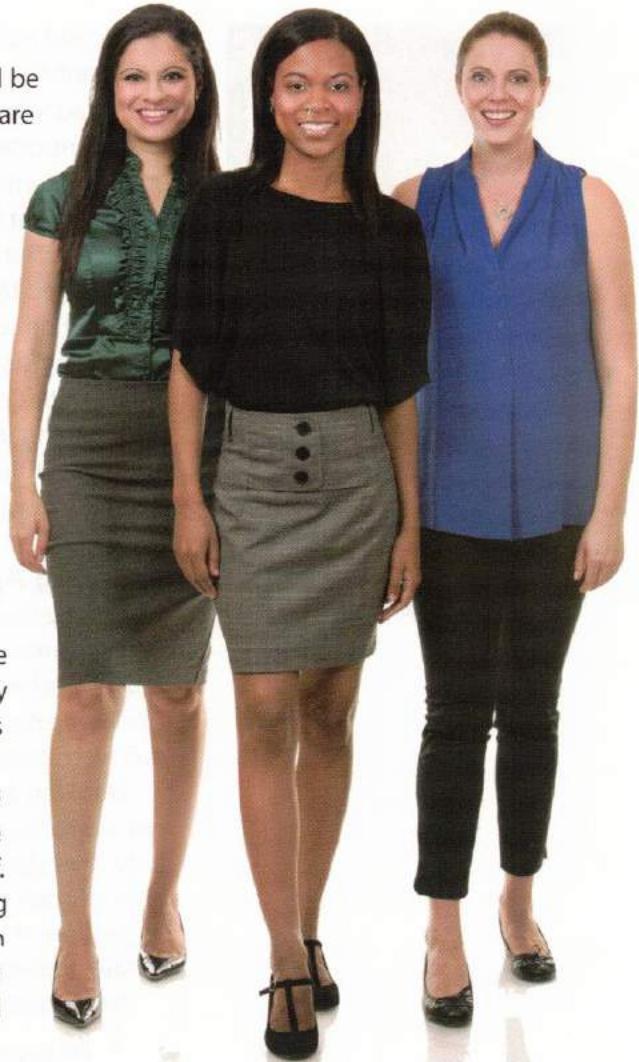
Managing Personnel

As a new salon or spa owner, one of your most difficult tasks will be to manage your staff. But this can also be very rewarding. If you are good at managing others, you can make a positive impact on their lives and on their ability to earn a living. If managing people does not come naturally, do not despair. People can learn how to manage other people, just as they learn how to drive a car or do nail 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 (HR) is an entire specialty in its own right. It not only covers how to manage employees, but 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 businesses design for accessibility. Every business should have a written personnel policies and procedures manual, and every employee must read and sign it. The more documented systems you have for managing human resources, the better.

There are many excellent books—both within and outside of the professional salon and spa 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 that will educate and inform you. Once you have a broad base of information, you will be able to select a technique or style that best suits your personality and that of your salon or spa.

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The Front Desk

Most salon and spa owners believe that the quality and pricing of the 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 and spas employ professional receptionists to handle the job of scheduling appointments and greeting clients.

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 sit, where retail merchandise will be on display, and the phone system is located. 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 only in importance to your nail technicians. A well-trained receptionist is the first person the client sees on arrival. The receptionist should be pleasant, greet each client with a



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▲ **Figure 22-11** A good receptionist is key to a salon's success.

smile, and address each client by name. Efficient, friendly 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 nail technicians that a client has arrived, preparing the daily appointment information for the staff, and recommending additional services to clients. The receptionist should have a thorough knowledge of all retail products carried by the salon or spa so that she can also serve as a salesperson and information source for clients (**Figure 22-11**).

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. The receptionist should also reserve these slow times for making any necessary personal calls or for being away from the front desk.

Booking Appointments

One of the most important duties the receptionist has is booking appointments. Services are sold in terms of time on the appointment page, so the appointments must be scheduled carefully to make the most efficient use of everyone's time. Under ideal circumstances, a client should not have to wait for a service, and a nail tech should not have to wait for the next client.

Booking appointments is primarily the receptionist's job, but when she is not available, the salon owner or manager, or any of the nail technicians, can help. Therefore, it is important for each person in the salon or spa 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 pleasant voice and personality.

In addition, the receptionist must have the following qualities:

- An appearance that conveys your salon's or spa's image
- Knowledge of the various services offered
- Unlimited patience with both clients and salon personnel

Appointment Book

The appointment book helps nail technicians arrange time to suit their clients' needs. It should accurately reflect what is taking place in the salon or spa at any given time. In most salons and spas, the receptionist prepares the appointment schedule for staff members; in smaller salons, each person may prepare her own schedule. Increasingly, the appointment book is computerized and easily accessed through the salon's or spa's computer system (**Figure 22-12**).

Use of the Telephone in the Salon

An important part of salon or spa business is handled over the telephone. Good telephone habits and techniques make it possible for the salon owner and nail technicians to increase business and improve relationships with clients and suppliers. With each call, a gracious, appropriate response will help build the salon or spa's reputation.

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 telephone placed in a quieter area of the salon or spa.

When speaking on the telephone, you should:

- Have a pleasant telephone voice, speak clearly, and use correct grammar. A smile in your voice 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 or spa. Clients usually call ahead for appointments with a preferred technician or might call to cancel or reschedule an appointment. The person answering the phone should have the necessary telephone skills to handle these calls. The following section offers additional guidelines for answering the telephone.

When you answer the phone, say, "Good morning [afternoon or evening], Milady Salon. May I help you?" or "Thank you for calling Milady Salon. This is Jane speaking. May I help you?" Some salons and spas 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. On a system with more than one line, if a call comes in while you are talking on another line, ask to put the 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 while you 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. You are doing a disservice to both clients.

Booking Appointments by Phone

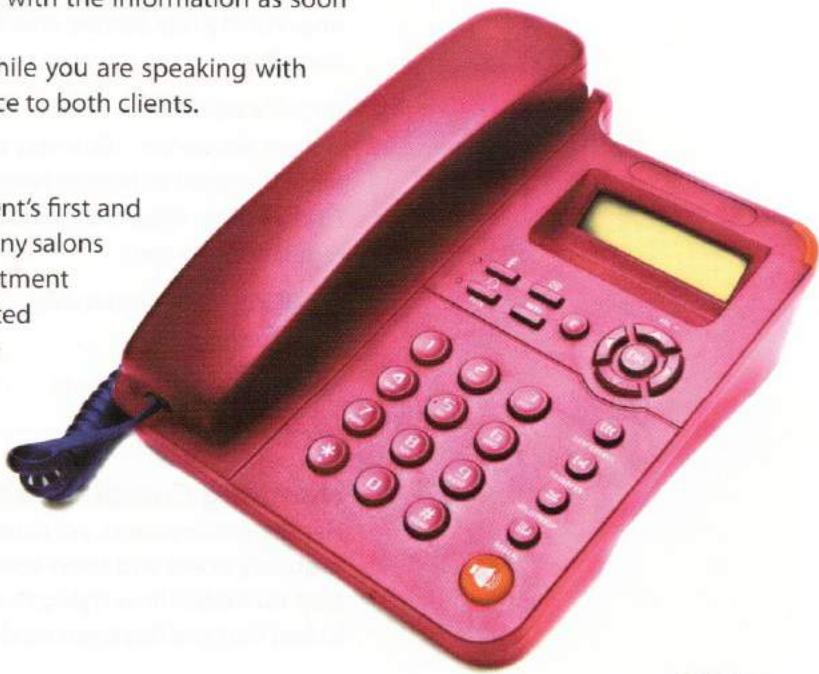
When booking appointments, take down the client's first and last name, phone number, and service booked. Many salons and spas call the client to confirm the appointment one or two days before it is scheduled. Automated systems can send e-mail or even a text message confirmation.

You should be familiar with all the services and products available in the salon and their costs as well as which nail professionals perform specific services. Be fair when making assignments. Try not to schedule six appointments for one tech and only two for another, unless it is necessary because you are working with specialists.



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Photography by Dino Petrucci.

▲ Figure 22–12 Computerized appointment system.



However, if someone calls to ask for an appointment with a particular nail technician on a particular day and time, every effort should be made to accommodate the client's request. If the nail technician is not available at the time the client requests, there are several ways to handle the situation:

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



WEB RESOURCES

This chapter provides a general overview of the complex issues involved in salon and spa ownership. There are many resources on the Internet for further study. The Web sites listed here are a good start.

Design

<http://www.beautydesign.com>

Click on Design Center to view see various salon layouts and to see salon photos from all over the world.

Advice on business topics from A to Z as well as, business resources for accounting, sales, marketing, technology, and more.

<http://www.isquare.com>

The Small Business Advisor — Provides information on starting and operating a small business.

<http://www.salonbuilder.com>
Information on starting a salon.

<http://www.smallbusinessnotes.com>
Various business-related articles.

<http://www.strategies.com>
The source for salon business growth seminars, training, and coaching.

<http://www.eeoc.gov>

Research relevant equal employment opportunity regulations; check out the compliance manual.

<http://hr.blr.com>

Human Resources – Business and legal reports related to human resources. Find a forum, dozens of topics, and regulations by state.

Small Business Ownership and Operation

<http://www.business.com>

Salon Software

<http://www.shortcuts.net>

<http://www.salonbiz.com>

<http://www.http://www.saloniris.comsalon2K.com>
<http://www.salon-software.com>
<http://www.guestvision.net>

Handling Complaints by Telephone

Handling complaints, particularly over the phone, is a difficult task. The caller is probably upset and short-tempered. Respond with self-control, tact, and courtesy, no matter how trying the circumstances. Only then will the caller be made to feel that 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 or spa owner will want to get the business up and running as soon as possible to start earning some revenue and begin paying off debts. One of the items the new salon owner should consider is how to advertise the salon or spa. It is important to understand the many aspects of advertising.

Advertising includes all activities that promote the salon or spa favorably, from a newspaper ad to radio spots to a charity event, such as a fashion show that the salon or spa participates in. 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 she will refer your salon and spa to friends and family. So make your clients happy (**Figure 22-13**)!

If you have some experience in advertising, you may decide to create your own ads. If you need help, you can hire a small local 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 3 percent of your gross income. Plan well in advance for holidays and special yearly events, such as proms, New Year's Eve, or the wedding season.

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

- Newspaper ads and coupons
- In-salon signage/advertising (**Figure 22-14**)
- Direct mail to mailing lists and your current salon or spa client list
- Classified advertising
- E-mail newsletters and discount offers to all clients who have agreed to receive such mailings (always include an unsubscribe link)



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▲ **Figure 22-13** Customer satisfaction is the best form of advertising.

The image shows a decorative in-salon sign for "nail suite spa". The sign features a gold and white color scheme with leaf patterns. It lists four special packages: "THE CONNECTION" (\$215), "THE DAY OFF" (\$125), "THE SPICE OF LIFE" (\$95), and "THE TOUCH" (\$75). To the right of the packages, descriptions are provided: "Massage, facial, manicure, pedicure, makeup application, gift bag and lunch" for THE CONNECTION; "Deep cleansing facial, spa pedicure, toe art and a beverage" for THE DAY OFF; "Aromatherapy massage, manicure and nail art" for THE SPICE OF LIFE; and "Hot stone spa manicure and pedicure" for THE TOUCH. At the bottom, it says "September 15 through December 15 only Consultations with every service." Below that, it says "Call now to reserve an hour, two hours, or a whole day of relaxation and pampering at The Nail Suite Spa." and "Open Wednesday – Saturday 10-7". The address "123 Sunset Boulevard • Hollywood, CA 12345" and phone number "310 • 555 • 1234" are also listed.

▲ **Figure 22-14** In-salon signage advertising nail services.

- Web site offerings, including those on your own Web site, social networking, Web sites, and blogs
 - Giveaway promotional items such as nail files, key chains, refrigerator magnets, or calendars
 - Window displays that attract attention and feature the salon or spa 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
 - Client referrals
 - Contacting clients who have not been in the salon or spa for a while
 - In-salon videos that promote your services and products
- LO7**

■ SELLING IN THE SALON

An important aspect of the salon or spa's financial success revolves around the sale of additional salon or spa services and take-home or maintenance products. Whether you own or manage a large salon or spa with several employees, or you are a booth renter with only yourself to worry about, adding services or retail sales to your service ticket means additional revenue.

In general, beauty professionals seem to feel uncomfortable about having to make sales of products or additional services. It is important to work at overcoming this feeling. When nail technicians are reluctant to sell, it is often because they do not want to seem pushy or aggressive. Helpful and knowledgeable sales 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 or spa owner, like the successful nail technician, makes his or her living by dispensing complete beauty advice every day.

Selling in the beauty industry is based upon relationships. The client sees the nail technician as the expert and trusted advisor. The nail technician asks questions, uncovers problems, and then recommends solutions in the form of products or services. The focus is on understanding what the client needs and on what motivates the client to buy. It is the strength of the relationship

that allows the client to trust the recommendations of the nail technician (**Figure 22-15**).

In order to successfully sell a product or service to your prospective client, you will need to understand what is motivating the individual to visit your salon or spa. In considering the general reasons people buy, we can assume that people are motivated to satisfy a need. That need can stem from something practical to solve a problem or to satisfy their emotional well-being.

LO8



▲ **Figure 22-15** Selling nail 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 type 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?