The Beauty Industry Business

Opening Your Own Business

- Location
  - Area
  - Visibility
  - Parking facilities
  - Competition

- Business plan
  - General description
  - Personnel to be hired
  - Salaries and benefits
  - Expenses
  - Financial plan

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- Purchasing an Established Salon
  - Written purchase agreement
  - Inventory statement
  - Investigation of payment of debts
  - Correct identity of owner
  - Use of salon name
  - Non-compete clause

- Drawing Up a Lease
  - Exempt equipment and fixtures that are separate from lease
  - Agreement on necessary renovations
  - Option to sublease
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- Regulations, Business Laws, Insurance
  - Local regulations
  - Federal laws
  - State laws
  - Income tax laws
  - Insurance
- Salon Ownership and Operation
  - Individual ownership
    - Proprietor is owner and manager.
    - Proprietor receives profits and bears losses.
    - Proprietor determines policy.

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- Partnership
  - More capital is available.
  - Ability and experience are combined.
  - Profits are shared.
  - Partners assume each other's liability for debt.
- Corporation
  - Ownership is shared by stockholders.
  - Charter is required by state.
  - It is subject to taxation and regulation by state.
  - It is managed by board of directors.
  - Profits are shared by stockholders.
  - Stockholders cannot lose more than original investment.
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- **Small independent salons**
  - Owned by individual or partners
  - Average size one to three chairs
  - Owner usually a stylist

- **Independent salon chains**
  - Are usually ten salons or less.
  - Are owned by individuals or partners.
  - Range from basics to full service.
  - Range from low to high priced.
  - May have 10+ stations and full-time styling staff.
  - May have specialized position in technical areas.

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- **Large national chains**
  - May operate within department stores.
  - Make major decisions for each salon.
  - Offer secure pay and benefits.
  - Have good transfer opportunities.

- **Franchise salons**
  - Fee is paid to obtain a franchise.
  - Business plan is provided.
  - National marketing campaigns may apply.
  - Investors own them and want a nice return.
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- Basic value-priced salons
  - are often located in busy, low-rent strip malls.
  - often depend on high-volume “walk-in” clients.
  - usually pay by the hour with some commission.
  - sometimes have private-label products.

- Mid-priced full-service salons
  - cater to men, women, and children.
  - offer a complete menu of services.
  - give time to client consultations.

- High-end “image” salons or day spas
  - offer pampering to clients.
  - are located in trendy, upscale sections of the city, elegant houses, or luxury hotels.
  - offer high level of personal and technical service.

- Booth rental
  - Is the least expensive way to own your own business.
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Booth Rental

- Stylist rents a station in a salon.
- Stylist is responsible for
  - own clientele.
  - supplies and inventory.
  - record-keeping.
  - Accounting.
  - Tax liability.
  - Insurance.
  - Purchasing.
  - Advertising.

Booth Rental

- Advantages are
  - small initial investment.
  - minimal expenses.

- Disadvantages are
  - no paid days off.
  - no sick leave.
  - no paid vacations.
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- **Protection against Fire, Theft, and Lawsuits**
  - Keep premises secure and locked.
  - Purchase insurance.
  - Do not violate medical law.
  - Know cosmetology law and sanitary codes in your state.
  - Keep accurate records.

- **Business Operation**
  - Sufficient investment capital
  - Efficiency of management
  - Good business procedures
  - Cooperation between management and employees
  - Trained and experienced salon personnel
  - Pricing of services

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- **Allocation of Money**
  - Average expenses

- **Importance of Record-Keeping**
  - To determine income, expenses, profits, and loss
  - To assess value of salon for prospective buyer
  - To arrange financing
  - To make reports

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- **Weekly/monthly reports**
  - make comparisons with other years.
  - detect change in demand for service.
  - check on use of material.
  - control expenses and waste.

- **Daily records**
  - Sales slips
  - Appointment books
  - Petty cash receipts

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- **Purchase and inventory records**
  - help maintain perpetual inventory.
  - to prevent overstocking.
  - alert you of pilfering.
  - to establish net worth of business.
  - plan future orders.

- **Service records**
  - Keep record of services and treatments given.
  - Keep records of merchandise sold.
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- **Planning the Salon’s Layout**
  - Flow and volume of services to and from reception area
  - Adequate aisle space
  - Space allotment for equipment
  - Furniture, fixtures, and equipment
  - Color scheme
  - Adequate lighting
  - Dispensary
  - Restrooms
  - Storage space; closets; changing areas
  - Good plumbing
  - Good ventilation, air conditioning, and heating

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- **Personnel**
  - Hiring considerations
    - Skill level
    - Personal grooming
    - Image as it relates to salon
    - Attitude
    - Communication skills
    - Clientele following
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- Payroll and employee benefits
  - Meet all payroll obligations.
  - Offer benefits.
  - Provide employee evaluations.
  - Create and stay with tipping policy.
  - Put compensation plan in writing.
  - Create incentives.
  - Develop effective salon policies.

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- Tips for managing personnel
  - Be honest with employees.
  - Expect the best.
  - Be a mentor.
  - Share Information.
  - Follow the rules.
  - Be reliable.
  - Teach employees what you know.
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- The Front Desk
  - Reception area
    - Attractive, appealing
    - Comfortable
    - Retail product displays
    - Business cards
    - Prominent display of prices
  - The receptionist
    - Attractive appearance
    - Knowledge of services
    - Patient
  - Booking appointments
  - Appointment book

- Use of the Telephone
  - Make or change appointments
  - Seek new business
  - Determine why a client was lost
  - Remind clients of needed services
  - Answer questions
  - Handle complaints
  - Receive messages
  - Order equipment and supplies
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- **Good Telephone Usage**
  - Have a pleasant telephone voice.
  - Show interest and concern.
  - Be polite, respectful, and courteous.
  - Be tactful.
  - Plan call.

- **Incoming Phone Call Guidelines**
  - Give cheerful, clear greeting.
  - Answer promptly.
  - Provide information requested.
  - Do not carry on a side conversation while on phone.

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- **Booking Appointments by Phone**
  - Be familiar with services and products.
  - Know salon personnel’s skills.
  - Be fair when making assignments.
  - If requested stylist is not available
    - suggest another time.
    - suggest another stylist.
    - offer to call if there is a cancellation.

- **Handling Complaints by Phone**
  - Apologize; explain reason for difficulty.
  - Be sympathetic; express concern.
  - Ask client how salon can remedy the situation.
  - If complaint is with service, suggest a visit to remedy problem.
  - If complaint is with stylist, call owner or manager to phone.
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- **Advertising**
  - Promote salon favorably.
  - Attract and hold attention.
  - Annual budget is 3% of gross.
  - Plan ahead for holidays.
- **Methods of advertising**
  - Newspaper / yellow pages
  - Direct mail / telemarketing
  - Promotional events / items
  - Radio / television
  - Client referrals

The Beauty Industry Business

- **Success in Sales**
  - Build confidence in retailing.
  - Approach clients with concern.
  - Recommend only what client needs.
SUMMARY

- Becoming an entrepreneur in the cosmetology field is more attainable than in many other fields.

- It is important to remember there is much more to owning and managing a successful salon than just having excellent technical skills.

- There are records to be kept and laws to be followed.

- A great deal of research and planning is required before establishing a successful Beauty business.