

[00:00:00] **Antony W:** Welcome to the Grow My Salon Business podcast, where we focus on the business side of hairdressing. I'm your host, Antony Whitaker, and I'll be talking to thought leaders in the hairdressing industry, discussing insightful, provocative, and inspiring ideas that matter. So get ready to learn, get ready to be challenged, get ready to be inspired, and most importantly, get ready to grow your salon business.

[00:00:28] **Antony:** Hello and welcome. I'm Antony Whitaker and this is the Grow My Salon business podcast. And as is always the case, it's great to have you join us here today. And thank you for the compliments and the five star reviews for the podcast. I really do appreciate it. And I know that my guests on the show do too.

[00:00:46] **Antony:** Now, we will be opening our money course for enrollment again in September for a limited time. So if you'd like to find out more or to get on the wait list, then visit growmysalonbusiness.com forward slash course forward slash money and register to be notified. What it's all about and how it can help you to grow your salon business.

[00:01:09] **Antony:** So once again, that's growmysalonbusiness.com forward slash course forward slash money to register your interest and to find out what it's all about. And I'll also put that link in the show notes of today's episode. So with that said on with today's show, which is very much connected to the theme of money.

[00:01:29] **Antony:** Now, I had an email recently from, let's call her a frustrated salon owner, by the name of Sally Ann in Pennsylvania. And she wrote to me and said,

[00:01:39] **Antony:** I've been in business now for 10 years and as a salon owner, I seem to work harder now than I ever have. But by the time I pay my team and the business overhead, there's never the profit left in the business that I had imagined. Can you please talk about that on your podcast? Well that's a great topic and it is relevant to salon owners everywhere.

[00:02:00] **Antony:** Now, I'm not familiar with Sally Ann's business and it's not really a specific question about any one area for me to focus on, but the challenge is real and I know that many people will relate to her frustration. And

reading between the lines, a question that she's asking is, where's the profit in my business and what does it take to become more profitable?

[00:02:26] **Antony:** And so, in today's episode, I want to highlight some of the financial functions that go with being a salon owner, and more importantly, what you need to be doing if you are to succeed and give yourself the best opportunity to achieve your financial goals.

[00:02:41] **Antony:** And maybe some of what I talk about will apply to Sally Ann, and some of it won't. But, as I said, I don't know enough about her situation to be more specific, but it's a great topic to talk about anyway. So thank you for the question, Sally Anne. Now, let's start by saying that the majority of salons are owned by hairdressers, and that there are multiple reasons why hairdressers decide to open a business of their own.

[00:03:08] **Antony:** Whether that's because they want the freedom to choose how and when they work, or perhaps because they want to choose the products they use, or the prices they charge and the services they offer. But there is one thing that underpins all of them, and that is the opportunity to make more money.

[00:03:25] **Antony:** But just because you want more money, doesn't mean that by opening a business of your own, that you will automatically get it. For sure, some people do, but many in fact, I'm going to say most probably, actually don't end up with more money.

[00:03:39] **Antony:** Now, unfortunately, there are many hairdressers that open a salon business and think that their ability with a pair of scissors, a tube of color, a tint brush and a blow dryer is going to get them through and make them financially successful.

[00:03:54] **Antony:** But that just isn't the case. Salons aren't automatically financially successful because you have good technical and creative skills. And salons don't go broke because the owner can't do balayage or a half decent haircut. But many salons do go broke. Many salons are not financially successful.

[00:04:15] **Antony:** And often the reason they don't survive or aren't successful is because when it comes to the financial side of the business, the owner simply hasn't got the financial skills or the knowledge needed to succeed. And

then the owner will say stuff like my bookkeeper or accountant looks after all that or my husband or wife looks after all that.

[00:04:36] **Antony:** So look, I'm going to be really blunt here and I'm going to say this. If you own a business, then you need to own it and take responsibility for everything that goes on inside it. And if you're not prepared to do that, then please go and work for someone who knows what they're doing because you're going to make more money that way.

[00:04:54] **Antony:** You'll have more freedom, more holiday, more time with your family and less stress if you work for someone else who really does know what they're doing. But of course, there is another option. And that is that if you really want to build a successful business and not just play it being a business owner, then it's essential that you roll up your sleeves and you learn to understand what needs to happen in order for the business to succeed at a financial level.

[00:05:21] **Antony:** Because when it comes to financial success, it's all about understanding the numbers. And I'm not talking about the numbers on a tube of tint. That's another podcast. And when people don't understand the numbers, that's when they end up failing at their ultimate goal, which was to make more money. And so let's talk about how to change that right now, because I want you to make more money.

[00:05:46] **Antony:** So because of that, I put together a list of six points that I want to cover in this podcast. The first one is that you need to build a business on a firm financial foundation. So what do I even mean by that? Well I simply mean get business educated. Get business savvy. Because if you are the salon owner, or maybe a budding salon owner, the first thing to be aware of is that you haven't actually opened a hairdressing salon.

[00:06:18] **Antony:** You opened a business that happens to do hair. Now, when I opened my first salon, which was over 30 years ago now, it was a business coach that I had who first said that to me. And it's as true today as it was then. You haven't opened a salon, you've opened a business that happens to do hair. And so you need to make sure that you put the financial systems and processes in place so that from day one you get the information you need to build the business that you dreamt of.

[00:06:50] **Antony:** Now, is that as much fun as coming up with the name and deciding the colour scheme and the decor of the salon? No, of course it's not. But when you can truly understand your business from a financial perspective, from knowing how to price your services and understanding how to pay your people and knowing how to read your profit and loss, the balance sheet and the cash flow statement, then you start to see your business in a completely different light.

[00:07:16] **Antony:** And it's that financial knowledge that leads you to make better business decisions, which ultimately leads to your long term success. So that is my first point, build your business on firm financial foundations. In other words, get educated. Now the second point is the importance of budgeting and financial planning.

[00:07:40] **Antony:** Now, unfortunately, many salon owners opened a business just like I did, completely unprepared for the reality of what is involved in building and running a business.

[00:07:49] **Antony:** Typically, in most salons, there are no budgets, or financial plans, often that's because the owner thinks that it's boring, or unnecessary, and you're half right. It can be deadly boring doing budgets and financial planning, but you're totally wrong if you think it's unnecessary.

[00:08:09] **Antony:** In many cases, the reality is that the salon owner simply doesn't understand finances, and so they approach it from the perspective of, I'll just work really hard and employ good people and hope there's enough money to pay the bills. And believe it or not, sometimes that works, at least for a little while.

[00:08:26] **Antony:** But if you really want to create a sustainable business, and if you really want to grow and be profitable and create a business that satisfies not just the needs of your clients and team, but also your needs, as well as the financial goals for the business, then mastering the money game is where it all starts.

[00:08:47] **Antony:** Developing the financial plans and putting budgets in place are the first building blocks in creating a sustainable and financially successful business. And whether you think that's fun and creative or not, really doesn't matter. Because when your business has budgets and a financial plan in place,

then you're able to set realistic and achievable goals and comfortably manage your expenses in the process.

[00:09:15] **Antony:** Financial plans and budgets give you and the business a sense of direction. You know where you're meant to be compared to where you currently are. And it's that sense of certainty that gives you clarity. So the second point is the importance of setting budgets and financial planning. Which leads into the third point on my list.

[00:09:40] **Antony:** And that is revenue and expense management. Now in a salon, the revenue comes from the sale of products and services, and in some cases the collection of rent from independent stylists. As the business owner, you can't just hope that the revenue will magically be what the business needs in order to cover its overhead and make a profit.

[00:10:01] **Antony:** It's your job as the owner to manage the business, the productivity levels, and the overhead that it costs to generate that revenue. And to do that is a mixture of management and marketing skills to generate a continual flow of new clients, as well as managing the productivity of the salon and the individual team members.

[00:10:23] **Antony:** And that's where measuring and monitoring the key performance indicators comes into play. Whether it's the client retention rates, or the average bills, or the retail sales, or the client count. Unfortunately though, most salon owners don't do that. Instead, they somehow just expect the individuals on the team to continually improve their performance without any one to one coaching or performance management.

[00:10:47] **Antony:** And when it comes to expenses management, well that goes back to budgeting and financial planning, which was the point in number two. You have to manage your expenses. Every dollar that comes into your business has to have a name on it. As to where it's meant to go, you can't just keep spending, whether it's on the inventory or employee costs or anything else without understanding the implications that it creates in other areas of the business.

[00:11:16] **Antony:** That's so important. I'm going to say that again. You can't just keep spending. Whether it's on inventory or employee costs or anything else, without understanding the implications that it creates in other areas of the business, especially the impact that it has on profit or the lack of it. So the

third point is that you need to actively manage your revenue and expenses, and that brings us to point number four, which is profit margins and pricing strategies.

[00:11:48] **Antony:** When talking to salon owners, one of the biggest challenges is that many of them don't know what their profit margin is. And more worryingly, many do not even understand what the definition of profit is. Profit is defined as what is left over after all the business expenses have been paid including the owner's wage.

[00:12:11] **Antony:** The average salon is typically making somewhere between 5 and 8% profit. Now, some make a lot less and others make a lot more. As a general rule of thumb in business, 5% is a low profit margin. 10% is a healthy profit margin and 20% is considered a high margin. Are there salons that make 20% clear profit after everything else has been paid?

[00:12:34] **Antony:** Yes, there definitely are. But they are not the norm. But it's certainly possible. And when it comes to the pricing of services, then clearly that does have an impact on profit. But it's not simply a case of the more you charge, the more profitable you'll be. Because someone charging less... Maybe a lot more productive and often more profitable in the process.

[00:12:58] **Antony:** And so the lesson is that it's all about finding the balance between pricing and productivity. And from a marketing perspective, when you talk about pricing, you also have to be clear about who the target market is that you want to attract. Because that then relates to your location, your own skill set, the products and services you offer and the competition.

[00:13:23] **Antony:** So as the owner, there is a balance to be found between understanding the needs of your ideal client, managing your overheads, the pricing of your products and services, the productivity level of your team, and the profit margin of the business. So the fourth point is the importance of understanding your profit margin and pricing strategy.

[00:13:47] **Antony:** And that brings us to the fifth point on our list, and that is financial performance evaluation. Now that's a mouthful. So to put it really simply, you need to understand what's happening with the money, meaning you need to get daily, weekly and monthly reports and be able to look at the numbers and actually understand what they mean.

[00:14:12] **Antony:** The first step is to understand your break even number. So what do I mean by that?

[00:14:17] **Antony:** Well, the first number that every business owner should know is the number that is your break even point every week. Or another way of saying that is What does it cost to keep the doors open and the lights on? So if I asked you right now What the break even number is Do you know it? Now there's no point in saying Oh, I need to check with my bookkeeper or accountant You need to know that number in your head.

[00:14:41] **Antony:** That number will fluctuate over time. It will go up and it will go down depending on your staffing levels and other things that you have no control over, such as rent increases or your suppliers increasing the cost to you of things, such as inventory and energy costs. Once you know your break even point, you can then work out how many clients you need and what the average bill needs to be in order to break even.

[00:15:10] **Antony:** And from there you can start all those what if scenarios. For example, what if you can increase the frequency of visit by 10%? What impact would that have on your business? Or what if... You can increase your average bill by 10%. What impact would that have on your business? And what if you could increase your client count by 10%?

[00:15:31] **Antony:** What impact would that have on your business? I'm sure you get the idea. The numbers tell you what is and isn't happening in your business at both the individual and the salon level. Your job as the owner is to ensure that you have the systems in place to ensure that you're getting real time numbers that allow you to make informed business decisions.

[00:15:54] **Antony:** So that's point number five, the importance of being able to evaluate or understand the financial performance of your business. And that leads us to the sixth and last point on my list, which is that you can't do this alone. You need to seek professional help and resources, whether it's from your accountants or bookkeepers or financial advisors or any professional associations that you belong to, or from business coaches, whether that's me or someone else that actually has some real credibility.

[00:16:29] **Antony:** You need to learn this stuff because it's not taught when you did your apprenticeship and it's not taught at beauty school.

[00:16:37] **Antony:** You've learnt or been taught how to be a successful hairdresser. And you can learn how to be a successful business person too. And there are many resources out there. My money course will walk you step by step through knowing what the numbers are that really matter. And how to understand a profit and loss, a balance sheet and how to create your own cash flow forecast for your business.

[00:17:02] **Antony:** You'll learn loads of ways to reduce your outgoings. You'll learn how to price your services so that they're profitable. And you'll learn different ways that you could pay your team and how to increase your total sales. And ultimately, you'll learn how to create a more profitable business from someone who has actually done it.

[00:17:22] **Antony:** And when you get clarity and have the confidence that you need to handle the financial side of your business, that will be the best investment that you have ever made. So if you want to find out more, then go to growmysalonbusiness.com forward slash course forward slash money and join the wait list so that you will get priority notification as soon as enrollment opens and also put that link in the show notes for today's podcast.

[00:17:49] **Antony:** So, before we start to wrap up, let's just recap the six points. First, it's important to build your business on firm financial foundations. And to recognize that you didn't open a hairdressing salon, you opened a business that happens to do hair. So, get business savvy. Second, it's the importance of financial planning and setting budgets.

[00:18:14] **Antony:** It's not always fun, but it is always necessary. And third, it's understanding that you need to manage revenue projections and expenses. Fourth, is the need to find the balance between profit margins and pricing strategies. The fifth point is constantly being in touch with the financial performance of your business and evaluating the impact of what is happening.

[00:18:38] **Antony:** And the sixth point is to seek professional help and resources from credible sources. So with that said, we need to wrap up this episode, but before we do, I just want to say a big thank you to Sally Ann for sending her question. And as broad as my answer is, I hope that in this episode, Sally Ann, that there were some nuggets of information that were helpful to you in your predicament.

[00:19:03] **Antony:** So until next week, thank you for listening to this week's episode of the Grow My Salon Business podcast.

[00:19:10] **Antony W:** Thank you for listening to today's podcast If you'd like to connect with us you'll find us at [Grow My Salon business.com](https://www.growmysalonbusiness.com) or on Facebook and Instagram at [Grow My Salon business](https://www.facebook.com/growmysalonbusiness) And if you enjoy tuning into our podcast make sure that you subscribe like and share it with your friends Until next time this is Antony Whitaker wishing you continued success