

GMSB 206

[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.

[00:00:29] **Antony W.:** Hello and welcome to today's episode of the grow my salon business podcast. I'm your host, Antony Whitaker, and it's great to have you here with us today. Now, the fact that you're listening to the podcast probably means that you are in the hairdressing and beauty business. And in all likelihood, you are also a business owner or perhaps an aspiring business owner.

[00:00:49] **Antony W.:** Now, my guest on today's podcast is April McDaniel from accountancy firm, Kopsa Otte, based in the United States. One of the reasons I wanted to have April on the podcast is that she specializes in the hairdressing sector and Kopsa Otte have specialized in the salon and spa sector now for over 30 years.

[00:01:11] **Antony W.:** Now, although half of my regular listeners are based in the United States, we regularly get listeners now in more than 80 countries every single week. So today, although we're very consciously going to be talking about all things money and accountancy, we're going to do it in such a way that is relevant no matter where in the world that you're based.

[00:01:31] **Antony W.:** So in today's podcast, we will discuss what salon owners should look for when finding an accountant and how involved should salon owners be in their business accounts. And what is the single biggest mistake that salon owners make when it comes to financial management and so much more. So without further ado, welcome to the podcast, April McDaniel.

[00:01:55] **April M.:** thank you so much, Antony, for having me today. I'm excited to be a part of the podcast.

[00:01:59] **Antony W.:** Well, you know, you're the first I've never had, an accountant on the show before. So it's great to have someone with, uh, with your, you know, degree of expertise, which are going to bring to it. And I know that, no matter. Whereabouts in the world that our listeners of base that they will benefit greatly from, having this opportunity, uh, to listen to an expert.

[00:02:20] **Antony W.:** So, uh, I, you know, I know that you've specialized or the company has for over 30 years, which is quite a feat. and I dare say that's probably quite unusual. So can I just start off by asking you that, how did you come to specialize in accounting for the, uh, hair and beauty sector?

[00:02:36] **April M.:** well. Thanks. I'm honored. 1st of all, that you've chosen to have somebody from on the line for this podcast. I've been a CPA personally for over 20 years. I did not start in the beauty industry. I, uh, began my career actually in auditing and, uh, made my way then to a bank. So I have some specialties in banking and retirement and things like that.

[00:03:02] **April M.:** Worked for an airport for 10 years in administration. So accounting, finance, HR, property management, leasing, uh, you name it kind of a bunch of different things there. But What led me to Kopsa Otte really was they are great people here. We have a team of 25 to 30 associates here at Kopsa Otte. And our founding member, Larry Copes, him and his wife owned a salon.

[00:03:29] **Antony W.:** Ah,

[00:03:30] **April M.:** And Larry was, um, in 1986, he was working on, reviewing the new tax code. And Maggie, uh, wanted his wife, Maggie wanted him to come to a conference, a salon conference. She was looking for salon software. And she wanted his input on that. And so he went, uh, and he was sitting in the room most of the time going through the 1986 tax code for the United States.

[00:03:55] **April M.:** Of course. And at that time, she said, Larry, I really need your help. I'm trying to make a decision. He walked down to the salon show floor, all kinds of opportunity. Um, and so that's how we ended up in this industry. we've been doing it for a very, very long time and, uh, Antony or Antony, uh, Larry is actually retired now.

[00:04:15] **April M.:** Uh, he went with the firm for many, many years and I, um, have had the pleasure of coming in and doing a lot of things that Larry used to do as part of their succession planning here at Kopsa Otte. So I've been here for about 7 years.

[00:04:28] **Antony W.:** So was it. Were you sort of employed on that basis as we need someone who's going to specialize in the hair and beauty sector or did you just sort of make that your niche when you started working there?

[00:04:39] **April M.:** Um, it was a niche before I came. Okay. And, they, the firm partners were looking for someone that could help with transitioning. Larry was planning to retire and I love this part of what I do, uh, and this part of what I do was a big part of what Larry did a lot of, uh, webinars and on site conference education in this industry.

[00:05:04] **April M.:** and as you can imagine, there aren't a lot of CPAs that really love to get up in front of people. and that's something I love to do. I am very much a teaching type person, and I think that's what makes. My job, exciting, and so, um, it just really fit. I also work with a lot of our clients going through their analysis and their financial statements.

[00:05:27] **April M.:** And that's something that Larry did a lot as well. He met with clients. And so this just was the right fit for me. Um, I can't imagine doing anything else. So.

[00:05:36] **Antony W.:** Okay, good. I had the privilege of hearing you talk. Um, I forget, uh, I forget exactly where it was the first time I heard you talk, but I remember listening to you and thinking, now this is someone who really understands the hairdressing industry and understands hairdressers because so often, you know, that I think there's a mismatch.

[00:05:55] **Antony W.:** Yeah. Between the accountant and the salon owner and, salon owners often feel intimidated and don't understand the language of hairdressing. And when I heard you talk, I thought this is a perfect person to get on the podcast because you really,

[00:06:08] **Antony W.:** You just, you just talk in a way that just makes so much sense. So, let me start off with a question about how should salon owners. Find a good accountant because, you know, uh, like we said at the beginning, very few, accountancy practices are going to specialize in this industry.

[00:06:25] **Antony W.:** So if I'm a salon owner, new salon owner or frustrated salon owner, uh, looking for an accountant, what are some of the things that they should look for, um, when it comes to finding them for their salon business?

[00:06:37] **April M.:** Well, I think 1 of the reasons that you'd like listening to my approach is the same same type of thing that salon owners should be looking for. Um, I think a lot of times. Business owners, salon owners, and maybe even some of the accounting and tax profession doesn't take themselves or doesn't take this industry seriously.

[00:07:00] **April M.:** And this is a very. Profitable industry. This is an industry where you get to touch people. It's an industry where, um, there's a lot of opportunity for growth and a lot of opportunity to make impact on people. And I think as a salon owner, you need to find an accountant that believes that in you. And that believes that you do have a real business.

[00:07:26] **April M.:** I know that sometimes I hear from prospective clients that come to cope. So that their tax person or their accountant doesn't really give them any attention. Instead, they're focused on maybe their spouse's business and not the salon business. And I think it's important that you find somebody that really believes in what you're doing.

[00:07:48] **April M.:** And they understand it. You know, I, um, with Kopsa Otte. We are not just talking about doing a tax return or doing accounting for a client. We want to understand your business and we do, you know, if you want to talk about the expenses that it takes to run the salon, we understand those, we understand things that you can do to possibly cut those expenses opportunities, where maybe you can make more money.

[00:08:15] **April M.:** And I think if you interview an accountant or a tax person, that they need to be able to speak that language with you. And that is so important. If you can't communicate well with that person, they're not probably going to be the right match. And so, we are very much a why firm. We're very much a teaching firm.

[00:08:36] **April M.:** And I think that's very important.

[00:08:38] **Antony W.:** Yeah, that's good. Um, I often, you know, we'll talk to people and my role as a coach and I'll say to them that if you want to find a new accountant, it's just, it's sort of like finding a new hairdresser, go and have a consultation. Do you know what I mean? Like you, you'll ring up. If you ring up, if you go to three salons and say, I just want to have a consultation with someone, you'll talk to three different hairdressers.

[00:08:58] **Antony W.:** And at the end of that, you'll know which one you want to go [00:09:00] back to. And, and I think it's exactly the same in the accountancy firm. you know, you should call up an accountancy firm and say, look, I'm, I'm thinking of changing accountants. Can I come and see someone or, you know, can we do it over the phone or whatever?

[00:09:11] **Antony W.:** Uh, and basically have a consultation. And I think at the end of that, you're going to know what you're looking for. I I've had, I mean, I've been in business now for what, um, 30 odd years. And during that time I've had. Four different accountants, but I've moved country a couple of times. so that's part of the reason, but I must admit some of them have been a good relationship.

[00:09:33] **Antony W.:** Like they've got me, they've understood me and what I'm looking for and others haven't, they've just been someone who sort of does your tax and it's so important. I use this expression, but you want to find someone and you sort of said a minute ago, I said, you want to find someone that's, that's got the heart of a teacher because I always think that most hairdressers.

[00:09:54] **Antony W.:** They feel intimidated by the accountant. They feel intimidated by, you know, the, language of numbers. They feel intimidated by the profit and loss and the balance sheet and the cashflow statement and all this sort of stuff. And so you want someone who can teach you without making you feel like an idiot.

[00:10:11] **April M.:** Right. Well, you need a language interpreter,

[00:10:13] **Antony W.:** Yes, exactly.

[00:10:15] **April M.:** Yeah. So if I'm there, there isn't any way that I could provide a service to your client. You know, if I could not do someone's hair, um, I don't know how, but I bet with the heart of a teacher, you could teach me how to do it. Right? So you could walk me through it and through each step.

[00:10:39] **April M.:** Help me understand the why, the reason why things are the way that they are from, you know, preparing, preparing the hair to being able to maybe do a cut or do a color, you know, I don't know if we have anyone on the, uh, that listens to the podcast, Antony, that is doing massages or things like that, but I could be taught by the right person.

[00:11:02] **Antony W.:** yeah, exactly.

[00:11:03] **April M.:** So, you know, I think, I think that's how it has to be. Um, and. And there's no one size fits all, you know,

[00:11:10] **Antony W.:** Yeah.

[00:11:11] **April M.:** um, you, there are some folks that want the final answer. They don't want to be taught how to do it because they just want their person to do it. And that's okay, but I would argue that it's better if you really understand it.

[00:11:27] **Antony W.:** Yeah,

[00:11:28] **April M.:** Um, We say sometimes, you know, a computer and forgive this analogy, but sometimes we'll say a monkey could do a tax return, but, probably could balance a bank statement too, but to really understand it and to be able to maybe I don't want to say manipulate because that sounds negative in its connotation, but to really be able to get the most benefit and the bang from whatever planning you're doing.

[00:11:54] **April M.:** . Accounting wise or tax wise, you know, maybe it's analysis, maybe it's succession, maybe it's trying to transition out, you can understand it.

[00:12:03] **Antony W.:** Yeah.

[00:12:04] **April M.:** And that takes asking a lot of questions, both on the. So, lawn owner side, and on our side of things, and I think 1 of the things that really sometimes, um, can frustrate a salon owner is that back and forth.

[00:12:20] **April M.:** Is that, hey, you have 50 questions for me and I don't have time for that. Well, I'm going to tell you that take the time because you're going to understand it. You're going to be a better business person if you answer those questions and you go through that process.

[00:12:34] **Antony W.:** Yeah. I talked to a lot of salon owners, and I'll ask them a simple question, um, or you'll think it's a simple question do you know, what percentage of your revenue last year was profit, uh, or it can be anything, but, that's one I'll definitely ask. And the answer will often be. Well, I don't actually know that I'll have to talk to my bookkeeper or accountant.

[00:12:54] **Antony W.:** Uh, and I I'm always amazed that the, the lack [00:13:00] of knowledge at the most important sort of level. So that leads me into asking you the next question here, which is, you know, I get that hairdressers go. I'll ask him a question. I'll say, well, I don't do that. I leave that to my bookkeeper or accountant.

[00:13:15] **Antony W.:** So what I want to ask you about is how much do you suggest that salon owners do in terms of their own bookkeeping, et cetera, to understand the mechanics of their business. So, you know, these days with things like a QuickBooks, uh, or Xero, depending on where you're in the, where you are in the world as to which is your, favorite weapon of choice, and obviously there's a lot more than.

[00:13:39] **Antony W.:** Both of them, but, you know, both of them are, are really solid, very popular accounting packages, and they are sort of designed for business owners to use themselves to whatever degree. So as an accountant, should salon owners do their own bookkeeping, you know, using things like QuickBooks or Xero, or should do you, you know, leave that to a bookkeeper or an accountant?

[00:14:04] **Antony W.:** Should it be outsourced for someone else to do? What do you think about that?

[00:14:07] **April M.:** Well, I think there's certain things that the owner has to do. otherwise, it's just like our bodies. If we put junk into our bodies. Our bodies don't work. Right. Right. Correct. And so it's junk in junk out if what's going into your, um, bookkeeping software, whether that's Xero or it's QuickBooks, QuickBooks online is one that we use a lot.

[00:14:30] **April M.:** Uh, if what's going in is junk, what comes out is junk. What do I mean by that? What I mean by that is that if you have, um, all of your transactional data going into your bookkeeping software from your bank and your credit card. And you're just allowing the software to put it wherever it wants to go. Then when it comes time for questions like what you mentioned, what's your profit, what's your, maybe it's, what's your backbar, your professional expense percentage, what's your percentage of compensation?

[00:15:04] **April M.:** What are you spending on retail? What's your advertising costs? What's your merchant fee costs. You're going to fire out a number, but you don't know if that number's right. Because what if you're just letting the software do what it does, but it's putting retail costs where professional costs go and vice versa.

[00:15:23] **April M.:** So, I think what a salon owner, or sometimes it's one of the managers, maybe the owner is not doing it personally, but it's a manager in the salon needs to be doing is making sure those transactions are going in the right place. And then you can hire a bookkeeper or an accountant to do bank reconciliations to help with making sure payroll entries are done correctly, to make sure that sales tax, if you have that where you're at, make sure that's happening correctly, payroll tax, all that kind of thing.

[00:15:55] **April M.:** You know, I think those are things that probably are more. Specialized, but that transactional data and how it goes into that software is so important. Um, for most of the salons that we work with, payroll and inventory costs are the top 2 expenses that they have. And typically payroll is the number 1 and so if you have.

[00:16:18] **April M.:** Maybe a handful of front desk folks that help you and then you have, um, you know, the rest of the Employees that you have are ones that are producers. Maybe you have some assistance It's important that that's separated out because your front desk people are what we would call a fixed cost You have the front desk person whether or not you have clients in the seats and so Making sure that payroll information is set up correctly, that it's identifying who's doing what, that's important.

[00:16:51] **April M.:** So there are things at the beginning that are so important for those books to actually be valid.

[00:16:58] **Antony W.:** Yeah. Good point. Really good point. I was, for whatever reason, I sort of assumed that all P& Ls would be put together the same way. And then I realized that every time I got a different accountant or now as a coach, when I look at other people's P& Ls, there's no two people that put them together in the same way.

[00:17:16] **Antony W.:** Some, some of them are very lazy the way they're put together. It's just a. You know, whatever the, uh, default settings are for that accounting software. Others you'll look at, and you can see the accountant and or bookkeeper or salon owner have really organized it in a way so that it makes so much more, you know, sense to them and their business so that they have a better understanding of the numbers, which I think is important thing to do.

[00:17:40] **April M.:** I'm sure. And I think, you know, you mentioned something that's important that I should have talked about as well. And that's just the chart of accounts. If you. Unwrap a box of software, which I know we don't unwrap software anymore, but if you go ahead and you sign up for software online, they will have a suggested chart of accounts meaning what revenue accounts and expense accounts, asset liability accounts you want to use.

[00:18:05] **April M.:** But I would argue that it's worth an investment to have somebody that's in the industry set up a chart of accounts for you. That's tailored to the salon industry, so that you start off correctly.

[00:18:18] **April M.:** It's very, very important.

[00:18:20] **Antony W.:** Couldn't agree more. Okay. Um, when we're talking about tech, is there anything else that you think salon owners should master? Because, like every area in the world, there's constant advancements with technology and the salon industry isn't always quick to embrace, you know, new things in tech.

[00:18:40] **Antony W.:** Is there anything that you think that salon owners should make sure that they're using?

[00:18:45] **April M.:** I think the industry got better at this during covid. If I can say that word, because I think that I know that's dirty word. Right? But I think what happened during covid was that business owners had a little bit of time to think about this and I saw salon owners really come together looking at different types of software.

[00:19:03] **April M.:** And try to decide whether it was right to be making a change. So I think definitely a finance software, a financial software like QuickBooks or Xero. I would say a salon software, some type of booking software, so you can keep track of your clients.

[00:19:16] **April M.:** So you can keep track of your, your tickets and things like that. And then I would say it's also really important. If you can to have some type of software that allows you to scan in receipts. Now, you can use your phone to do that. And I'm not sure about Xero, Antony, you might be able to tell me, but QuickBooks allows you to upload those scanned receipts to those transactions.

[00:19:41] **April M.:** It's great because then if you have a bookkeeper or an accountant that's external to your business, they can go in there and they can look at it. And if there's questions about where it was classified. Things like that. It's just there. It's very readily available. and so, I would say those are really, really important.

[00:19:57] **April M.:** Uh, your, your. Person that you do your tax with, they're also going to have special software that they need to use. Um, we like it when the accounting software. Can be agreed to our tax software. So that's really important in our country. Anyway. The IRS looks at whether those things agree, when they're doing an audit.

[00:20:23] **April M.:** So my guess is that in other countries, that's possible as well. We like balanced books. So if our QuickBooks and which, so our financial software, our tax software, and our salon software agree to each other, that's a deal. That's a really big deal. It's a great way to audit proof your business. And so that's one of the things that we do is we make sure all that stuff agrees to each other.

[00:20:46] **Antony W.:** yeah, I think, uh, I know an answer to your question. Xero do have a, uh, a receipt scanner. I think now that pretty much as soon as someone comes out with a good idea, it's a little bit like salon software. If one salon software comes out with a new idea for tech within six or 12 months, they've all done their version of the same thing.

[00:21:04] **Antony W.:** And I think what I see with the accounting packages like QuickBooks or FreshBooks or Xero or whatever it is that pretty much all of them. Uh, either have a plugin that different receipt scanners can be, you know, used with, or they had their own sort of bespoke one, so to speak. Um, and yeah, it's a, it's a good bit of tech to keep on top of, all those petty cash things that, uh, instead of having a

pocket full of bits of paper and, oh, I've lost that receipt, you know, it just makes you a lot more organized, doesn't it?

[00:21:33] **Antony W:** Hey, I'm just jumping in here quickly because after I finished recording this episode, I was reflecting on our conversation and I thought that it might be helpful for those of you that haven't heard of or used the receipt scanner app before to have access to a PDF that is normally only available in our online money course.

[00:21:51] **Antony W:** The PDF is titled transform your petty cash management from chaos to order with a receipt scanner. App. It normally accompanies an entire lesson, on our online money course on petty cash management. But if you would like to have access to the PDF, you can download it for free. Just head to growmysalonbusiness.com/petty-cash-app

[00:22:10] **Antony W:** forward slash petty hyphen cash hyphen app. And I'll add that link to the show notes in today's podcast. I hope that you find it helpful. So with that said, let's get back to today's show.

[00:22:25] **April M.:** I would say talk to your accountant about those types of things because one of the worst surprises on our side of things is finding out that our client moved to a different salon software or moved to a different accounting software and didn't tell us. And so after they did it, um, your accountant, if they know the industry, they're going to be able to give you some pros and cons.

[00:22:50] **April M.:** Now, what we don't do is we don't, uh, we do not align with any software companies and so we try to be very, I guess, level and very, uh, not what's the word I'm looking for. I don't, I'm not going to recommend that you use a certain salon software because I'm getting paid on the back end for that software. So that's use your, use your professionals is what I would say to the salon owners to ask questions. and sometimes salon software can be really great at the front side, what your stylists are seeing, what your professionals are seeing, your producers are seeing, but on the backside for your accountant, it's a nightmare.

[00:23:29] **April M.:** And so you need to make sure you pick something that works for both.

[00:23:33] **Antony W.:** Yeah good point. Good point. What, what do you see as, you know, dealing with lots of salon owners, what are the biggest challenges or misunderstandings that salon owners have when it comes to managing their salon finances?

[00:23:47] **April M.:** I would say cash in the bank does not equal profit in your business. Cash flow and profit are different.

[00:23:55] **Antony W.:** Yeah, without a doubt.

[00:23:57] **April M.:** yeah, because you can have an influx of cash, but you also could have some things that you haven't paid for yet. It have, like, maybe tax, or maybe it's, um, some type of a payroll liability if you have retirement or things like that in your business.

[00:24:15] **April M.:** And so doing some type of reconciliation between cash and profit. Or profit and cash is important because, um, particularly if there is some type of a tax liability in your country. You could think, Hey, I have 100, 000 in my bank and go spend it on some type of a capital improvement or maybe take a distribution from the business and decide to go on a trip and then 3 months later, find out you have some type of large liability.

[00:24:46] **April M.:** So, um, I think cash and profit is something that's very difficult for sometimes clients to understand,

[00:24:53] **Antony W.:** Yeah. How close should their relationship be between the business owner, the salon owner and the accountant? Meaning, uh, how often should they communicate? I mean, obviously the more you communicate, I remember my first account and I communicated with him a lot and I didn't realize that every phone call, every conversation, you know, it was, it came through on the invoice at the end of the year.

[00:25:16] **Antony W.:** Um, but I mean, it was an important, they were important conversations. It was important to have that sort of relationship. So, you know, is, is there, how often would you talk to your salon clients? Is there a sort of a normal number that you would have fixed to it or does it vary dramatically?

[00:25:32] **April M.:** uh, Antony, we have. Probably a, a unique situation here at Kopsa Otte where when we work with a client on whether it's their tax return or their accounting, we have what we call unlimited access. So our clients, if they're calling us about questions, they've, that's already in their subscription with us.

[00:25:55] **April M.:** We, we have figured out that if a client knows they can call and ask questions, they're going to do it. If they think they have to. Consider whether they're going to get a bill or not, like you referenced, they may not call

[00:26:06] **Antony W.:** Mm.

[00:26:07] **April M.:** and honestly, their questions also help us. Then we know what else is going on in the industry.

[00:26:13] **April M.:** So, because if you have the question, so does someone else, now, there are some exceptions to that. if someone, calls me up and says, hey, I'm thinking about opening my 3rd location. Can you help me with putting together a projection? There's a lot of work to that. talking about succession planning.

[00:26:30] **April M.:** There's a lot of work to that. So obviously there's a quoted fee for that work. I would say you're better off asking your accountant because if your accountant can give you some advice before you do it, that's better than them trying to help you fix it

[00:26:45] **Antony W.:** Mm.

[00:26:46] **April M.:** I tell people it's much harder to fix your mistake than More expensive than if you'd have just asked me the question.

[00:26:53] **April M.:** So, um, I, you know, but that is, that is hard. I think for some salon owners, the investment in professional services is hard. Professional, meaning their accountant, their coach, their tax person, 'cause their accountant and their tax person may not be the same person. So there's an investment that you're making in doing that.

[00:27:14] **April M.:** And, you have to believe in the worthiness of that too,

[00:27:17] **Antony W.:** Yeah. I remember the second accountant I had. He had a very interesting way of doing it. You either were on the gold, silver, or bronze package. And the different packages were at a set fee. So at the beginning of the year, you knew what you were going to be up for, uh, at the end of the year. And, you know, the bronze package, you got very limited access, whereas, the silver, you got more, the gold, you got unlimited access as many phone calls and face to face meetings and all that sort of stuff.

[00:27:45] **Antony W.:** Uh, but obviously you were paying more for it, but at least you had a set. You know, sort of figure that you had to budget. And I found that worked very well for me. Um, you mentioned, the last three years, you know, you use that word that should not be spoken.

[00:28:02] **April M.:** Yeah,

[00:28:03] **Antony W.:** and it, you know, created havoc for businesses and, and many businesses are still sort of navigating their way through that havoc, uh, no matter where they are in the world, because people got varying degrees of, you know, government support, financial support, et cetera, um, from your perspective.

[00:28:19] **Antony W.:** Over the last few years, over the last three years, what sort of weaknesses were exposed about the salon industry specifically? Did you get any surprises or did it just sort of reinforce this is a problem with the salon industry and, you know, COVID reinforced it?

[00:28:37] **April M.:** I think for a lot of businesses, the lack of cash in their business was at the forefront. they, and not just in the salon industry. Uh, we also here at Kopsa Otte work with distributors of salon products. So we have that as well. Um,

and then we also work some in agriculture because we're in the great state of Nebraska and agriculture is a big deal.

[00:29:05] **April M.:** But I would say for a small business owner, cash was a big deal, just making sure you could pay your fixed expenses. So, because as we all know, in most cases, rent was still due. You probably had a payroll or 2 that you still had to pay. You wanted to keep your team. So you had some payroll that you needed to keep paying.

[00:29:26] **April M.:** there were. Continuous expenses that had to be paid and most businesses didn't have the cash. Um, so I would say the bit that was the biggest thing. The other thing was just, for some, I wouldn't say for all, but. Being able to keep their mindset in the right spot, because I think for so many people, not only will you were you dealing with.

[00:29:53] **April M.:** frustrations at work. You had them at home here in the United States. I was trying to do this job and then I was also trying to be an at home teacher to my Daughter who was in elementary school. So, you know, trying to keep your mind set in the right spot was a struggle. I think for all of us, but particularly for salon owners.

[00:30:17] **April M.:** And I think that's because it speaks volume for salon owners and that the reason I say that is because there's such a connection between a salon owner and their clients. So not only were they struggling with the financial side of it, but there's a personal involvement and every single client, you know, I go sit in my, hairstylist chair and it's 1 on 1 time that I don't get with very many other people.

[00:30:45] **April M.:** And I was missing that as a client, and I'm certain as a salon business owner, you were missing that. So the mindset side of it was a big deal.

[00:30:53] **Antony W.:** Yeah. Yeah. I, I have at any one time, a number of coaching clients in different countries and you know, they all had varying degrees of lockdown, but there was really only one of them. When I spoke to him, he said, Oh, it's not a problem. I'm not stressed about it. He is exact words were, and he'll listen to this podcast, uh, is exact words where I make sure I've never got less than a hundred thousand dollars in the bank at any one time.

[00:31:18] **Antony W.:** They said, so, you know, he says, I'm good for six months. And. And, and I could, he was so relaxed about the whole thing. Whereas I knew other people that were absolutely on the edge because, you know, they just didn't have, you know, like, like the door had to be closed. And the day the door closed, the cashflow stopped and other people still had their handout, whether it was landlords or, or whatever it was.

[00:31:42] **Antony W.:** So as a, a sort of a generalization, what sort of financial buffer. You know, do you put a dollar value on it? Do you put a percentage on it? Or do you put an amount of time on it that you say, this is how much you should have in

the bank at any one time to get you through any of those unforeseen problems, because you never know what's going to happen.

[00:32:03] **April M.:** I think, um, no one could have seen COVID coming and the numbers of ups and downs as far as closures across the world. It would have been very hard to prepare for that, I think. But I think most business owners, salon owners, would have been served by at least having two and a half to three months of operating cash plus whatever their debt payments are.

[00:32:27] **April M.:** So that's what we recommend typically is two and a half to three months of operating Plus debt, so, we want them at least in that 3 months, you can come up with a plan for what's going to happen if that happens to run out, but it takes away the initial shock of. Things are just missing, so, um, you know, I, I will never forget. Being in my home office, which we were very blessed. all of us already had home offices when when covid came. And so I'm sitting in my business office today, but I have a home office. We were able to move home immediately and didn't have any problems. There were other firms that didn't have that technology.

[00:33:09] **April M.:** You know, we'd been meeting with our clients across the country via the web for years because we work with clients in 43 states. And so we were already doing that. But, you know, I think that it's. Um, I remember sitting in my office and not talking about numbers at all. Just listening to my clients, the tears and the frustration in their voice.

[00:33:32] **April M.:** Now, I did come back to numbers at some point, but, you know, I, I felt like a counselor during those first few months of that. It was very difficult, not only for the salon owner, but for folks like you and me, trying to help the salon owner through that process

[00:33:49] **Antony W.:** Hmm. Yeah. If I mean, you know, you say that we couldn't have prepared for COVID, but there's always, uh, the thing I always say about COVID is because it was global, it impacted everybody.

[00:34:02] **April M.:** process.

[00:34:02] **Antony W.:** Whereas every day of the week, like somewhere in the world now, there'll be a salon owner who is suffering a fill in the blank, staff walkout, fire, earthquake, flood, family bereavement, there'll be something going on, which has that same sort of impact on your business, you know, um, so.

[00:34:23] **Antony W.:** If you're talking to someone and there's a, you know, a big, there's a difficult economic time happening caused by whatever, what would you say the sort of top three things that they should focus on as a business owner?

[00:34:37] **April M.:** Well, 1st, I'm going to say your team because I'm very much a purse people person. And I think if you have a team of people that are helping support you, you absolutely have to focus on them. 1st, We are just much better if

we have great people around us. I truly believe that. And so you have to remember that if there's tough economic times at work, there's tough economic times at home.

[00:35:03] **April M.:** And so, you know, if, if you can relate the things that you're doing at work to things that may help your employees at home, I think that's important. And and so those things, you know, 1st and foremost, is you have to figure out how you're going to control costs. Right? So reviewing all of your expenses. To see if there's any way to trim any fat, right?

[00:35:24] **April M.:** Anything that you can do to reduce cost is important. Um, I think it's really bad. You're probably thinking about things that maybe you're even reducing your team and that's sad. And that's hard, but I think open communication with your team as you go through the process is really, really important. So controlling cost is important.

[00:35:42] **April M.:** Another 1, I think is, um, if you've done a really good job of managing your client expectations as far as price increases. You don't have to do a huge price increase when something like this happens, because you've been doing them all along to try to get yourself prepared for whether it's a big expansion at some point, or maybe it's inflation or some type of tough economic time.

[00:36:06] **April M.:** So we really try to help our salon owners understand the importance of doing reasonable price increases. You know, periodically and not waiting until you're in a time where you need it to make payroll. So that's a thing. And I also think that helps your clients. Understand, um, if you do have to do a bump because of a inflationary item, they're probably going to understand that.

[00:36:33] **April M.:** But if you've always been doing price increases, maybe once, twice a year, then they may not even notice. Because you've just always done it that way. And the third thing, so control costs and then client expectations, I think, with price increases. And then the third one is I think you just have to be flexible.

[00:36:50] **Antony W.:** Mm.

[00:36:51] **April M.:** I think, you know, we all get this idea that if our plan doesn't work, it's woe is me and life is over, right? But I think you have [00:37:00] to realize that as a business owner, you have to be ready to deal with those ebbs and flows and your plan just might need adjusted. And so be flexible so that you can make those changes.

[00:37:11] **April M.:** If you have to make the changes in your

[00:37:13] **Antony W.:** Okay. Good. Good advice. Um, another thing I want to ask you about is, uh, is profit margins and salons. I mean, you, you obviously, you know, you look at the facts, you know, like you look at a lot of different salons all around the United States. You've been doing it for years. Um, so someone in that position gets a

really Clear insight into what's really happening in the industry, as opposed to sometimes what salon owners might say is happening in their salon.

[00:37:41] **Antony W.:** Uh, so what would you say a realistic profit margin is as a percentage of total sales after everything else has been paid, including the owner's salary as a percentage, what would you suggest is about normal?

[00:37:55] **April M.:** I would say, well, let's talk about benchmarks and let's talk about targets because benchmarks is what the world is doing, right? That's what the, our clients are doing probably in that 10% range. Okay. That's what most are doing. All right. But we have a target for our clients that are probably in that range of 12 to 18%.

[00:38:20] **Antony W.:** Great.

[00:38:21] **April M.:** So, we have that target in place because we believe that's possible, but that's not what people are doing. We do have some clients that do that. And I would say for our clients, most of the clients that are in that higher percentage of profit. Those are clients that are using. Um, in the United States, what's called kind of a team based approach.

[00:38:40] **April M.:** So it's an hourly wage process versus the commission salon. And I know that doesn't work in all places in our country or in other countries, but it's a way to control some control some costs. So, again, I say most of the benchmark is probably in that 10%, but target being more 12 to 18.

[00:39:02] **Antony W.:** Okay. Okay.

[00:39:03] **April M.:** I think it's possible

[00:39:04] **Antony W.:** Yeah. Definitely. It is without a doubt. Do you see, I mean, you know, we've been through a challenging time and in varying to varying degrees in different countries, it's still a challenging time in the world. Uh, do you see a particular trend and what's happening, uh, in the profitability of salons or salons becoming a more or less profitable, you know, business opportunity?

[00:39:25] **April M.:** Um, I would say that it's increasing right now. Why is that? The reason that's happening is because. I believe that even though coven created stress for many people, it also made people realize that there was room for improvement in their business processes. And so. I think what's happened is more salons are looking at things where they charge for product costs, for example.

[00:39:55] **April M.:** So, we probably had, uh, I would say 60 40 split 60% of our salons pre COVID were charging for color on someone's hair, or they had some type of a service charge or an experience charge that a client paid for, and the other 40% weren't. I would say we're probably closer to 80 20 now,

[00:40:16] **Antony W.:** Wow.

[00:40:17] **April M.:** and I think that's because Over time, but salon owners have realized is that is an expense that the client should pay.

[00:40:27] **April M.:** So think about that. You go to get your oil changed in your car. You pay for the labor, and then you pay for the filter, you pay for the washer fluid that goes in your car, you pay for the oil that goes in your car, right? So, why, when I go get my hair done, shouldn't I pay for the color?

[00:40:44] **Antony W.:** Mm.

[00:40:45] **April M.:** Because the color on my hair, the amount of color that goes in my hair, is going to be way different than somebody that maybe has a really short cut, or my hair used to be very, very long. So, I think more of our salon owners are doing that. I also think that what is happening is they're paying more attention to those two big costs that I mentioned, payroll and inventory.

[00:41:07] **Antony W.:** Yeah.

[00:41:08] **April M.:** So, um, we talk about it all the time on my calls on our financial clients, financial statement clients. I'm meeting with them once a month on our quarterly clients.

[00:41:18] **April M.:** It's once a quarter. We have a set meeting and with those clients. We're talking all the time about where their percentage of compensation is to total services. We're talking about retail profitability, making sure things are in the right spot. And so I think that what's happened. Over time, at least with our clients, is that they're realizing that, hey, these things that they're learning from us, they really do make sense.

[00:41:44] **April M.:** I can make more money if I do this stuff

[00:41:46] **Antony W.:** Yeah. Exactly. Exactly. When we talk about, um, you know, profitability, et cetera, I mean, um, we sort of talk about hairdressing as hairdressing, that this is a market and obviously there's a, it's a very diverse market. Uh, so what I want to ask you about is, is do you see any radically different things In the value end of the market compared to the luxury end of the market in terms of the profitability of businesses, any differences there, any big trends one way or the other.

[00:42:17] **April M.:** I would say for our east coast, west coast clients, those are probably more of the higher end clients. Um, however, we probably have a, we have a good mix of high end and middle. we don't typically work with the lower end clients, because of our. Our model, I guess, of our ideal client. So, but I would say our, our New York, our California clients, those are higher tickets for a client, but typically higher costs as well business in the States.

[00:42:44] **April M.:** So, um, I would say the profitability is probably still about the same.

[00:42:51] **Antony W.:** hmm

[00:42:54] **April M.:** If New York does a crazy another crazy tax, they tend to do interesting things in New York. that goes. Directly against the profit margin, so, I think that it's important for no matter where you're at, whether you're a luxury brand or you're or you're not, it's important for you to stay involved in political type things too, because those impact your bottom

[00:43:18] **Antony W.:** Sure. Sure.

[00:43:19] **April M.:** when those happen.

[00:43:20] **Antony W.:** Yeah. Okay. The other thing that's, you know, you would have noticed that over the last, the time that you've been involved in the industry, uh, seven years, I think you said, um, that they're all over the world has been a shift. From a more employee employer-based model to now they're being a lot more, uh, independence, you know, booth renters, chair renters, whatever you want to call them, they, you know, their business unit of one, so to speak, uh, what I wanted to ask you about is that.

[00:43:52] **Antony W.:** What, do you see from a salon owner's perspective, which business model is the most profitable? Is it to have a rental based model where, uh, you know, they're self-employed people that are paying you rent, or is it to have an employee employer based model?

[00:44:08] **April M.:** I have ran the numbers on this a ton of times because we get this question from our clients to particular with this movement that you've mentioned hands down and employee based salon is more profitable for an owner if it's run correctly. Uh, I, the booth rental type situation typically does not fare well for the owner.

[00:44:33] **April M.:** Um, definitely in areas where rent is extremely high, It's very hard to charge. A weekly rent or a monthly rent that's going to cover your expenses plus. Give you some type of profit.

[00:44:49] **April M.:** So, um. You know, we also see in the United States. Anyway, we see some movement from employee based to independent contractor. So, that is a situation, however, that. You can't, you have to think about the laws in which you operate.

[00:45:07] **Antony W.:** That's a, that's a very good example because I know there's a legal definition around that, that we, we bandy these phrases around independent contractor, meaning they're self-employed, blah, blah, blah, but there's actually a very specific legal definition around independent contractor in the United States,

which is different to the UK, Australia, Canada, whatever, you know, so that, that is very important that you brought that up. Um, one of the things I want to touch about is, you were talking about the profitability before, and I was asking about different business models. Um, and you were saying how some salons, you know, get their profit margins right up to 18% and I do come across salons like that. Uh, occasionally, not very often, unfortunately, but I wanted to ask.

[00:45:52] **Antony W.:** Specifically, about retail

[00:45:55] **April M.:** Yeah,

[00:45:56] **Antony W.:** the retail side of the salon business in terms of the impact that has on profit, because what I see with the salons that I work with that are the most profitable, the thing they have in common is that they usually have a strong retail component to their business. Is that something that you see?

[00:46:12] **April M.:** I would agree with you, Antony. I think selling retail is a must. It's a requirement in order to be one of those more profitable salons. Your profit margin on retail typically is somewhere in the 40%. Okay, um, and on services, you're, you're looking at much less than that typically, because compensation, you have, um, you have payroll taxes, typically, depending on where you are, uh, in the world and it, those just really eat into those things.

[00:46:45] **April M.:** So, where you typically would have, you know, maybe a, between a 35 and a 45% commission structure on a professional service on a retail item, maybe priced at the same amount, you have a 10% commission. So, I would say that the retail sales part of it, while it seems very simple in that a client should want the product that you're creating.

[00:47:11] **April M.:** This wonderful look for them using, I think where there is a miss is in education and not that the education isn't being provided, but educating a, uh, a stylist on ways to get a client to buy it and not feel like your pressure sales.

[00:47:32] **Antony W.:** Yeah, yeah, exactly. I mean, I, we don't have time to dig into this now, but I always have this expression that it's not just about creating a selling environment, but it's about creating a buying environment as well. And I, I go into some salons, the salons that I see that are really successful with retail.

[00:47:51] **Antony W.:** They have a. A buying environment as well as a selling environment, meaning that you go in there as a client and you want to buy something because of the, the ranges they carry, the way it's displayed, the merchandising, the price point and the yada, yada, yada, yada. And so you're in there to buy something.

[00:48:06] **Antony W.:** It doesn't have to be sold to you literally, you know, and so I'll often see sellers like that are, you know, doing, you know, 20, 30% of their revenue

quite comfortably is coming from retail and they're the ones that are the most profitable by far as business

[00:48:19] **April M.:** and I think you can take the pressure off of your professionals. If you say to them, I want you to tell them about what's so great about this product. You don't even necessarily have to ask them to buy it. But if you tell your client, Hey, I got this glow, this great shimmer in your hair by using this product.

[00:48:40] **April M.:** And if you use it, it's going to extend the life of that wonderful look you have today. I mean, I'm using words that an accountant chooses, you know, what words need to be used. But I think sometimes, sometimes I think that what happens is that we forget that the person sitting in the chair is a person too, and.

[00:49:00] **April M.:** Just talk to him.

[00:49:02] **Antony W.:** Yeah.

[00:49:03] **April M.:** That person, that client isn't going to be afraid. to ask you to support them in whatever it is that they're doing. So why should you be sad about asking them to support you?

[00:49:15] **Antony W.:** That's a really interesting thing, the way you've just. Said that from a client's perspective, um, just talk to them, you know, it's like, uh, because for me as an educator in the industry, when I see people talking about retail, I sometimes just shake my head because it's, it's like they go into this moment where they sort of think, right now, I'm going to sell them something and, and they go into this, they turn into this different person and, and the analogy is.

[00:49:46] **Antony W.:** Yeah. When you, you know, when you put a video camera, if you pick up your phone and you, you put your, your video in front of people, all of a sudden they behave differently. They talk differently. And it's like, just be, you just be natural. Just talk.

[00:50:01] **April M.:** Yes, they're coming to you because they like you anyway. So you don't have to be hard about it. It's not hard. It's, it's a, it's a matter of you're doing them a disservice if you don't tell them how to recreate what you just did at

[00:50:16] **Antony W.:** Yeah. Yeah. No, exactly.

[00:50:18] **April M.:** You want them to be just as beautiful tomorrow as they are leaving your chair.

[00:50:23] **April M.:** Help, help them do that.

[00:50:25] **Antony W.:** Exactly. Okay. Well, listen, there's a couple of things I need to ask you before we, wrap up. Um, one of them is, it's a very much an accountant's

question. Uh, and that's about the advantages and disadvantages. Of leasing equipment as opposed to buying, um, I have a friend of mine who's recently leased a whole lot of, you know, new, very expensive chairs for his salon.

[00:50:50] **Antony W.:** And he's very excited that he's been able to do that, you know, on a, on a lease basis. and I, it got me wondering about that, you know, are you better to lease? Are you better to buy? What do you advise people about that sort of stuff? Because, you know, chairs, basins, that sort of thing can be very expensive.

[00:51:05] **Antony W.:** Um, you know, but if you can get them on a lease basis, then you've got them, but you haven't had to front up all the cash.

[00:51:11] **April M.:** Well, I think, um, it really it's an individual business decision. It's not a one size fits all answer. And so I think you need to talk to your tax person about it because I could answer the question for 1 client differently than another client, but and that's going to vary based on the tax laws and wherever you are, but I think too, it comes down to cash flow is a big part of it.

[00:51:37] **April M.:** if I buy equipment, typically, I have to come up with a down payment. If I lease it, I don't usually have to do that. So can you afford the monthly payment? Um, I think is really important and the other thing is not to be drawn into something that you don't really need. You know, you don't spend extra money just because you can afford the payment

[00:51:56] **Antony W.:** Yeah. But

[00:51:57] **April M.:** end of the day.

[00:51:58] **April M.:** The cash, you need that cash for something else. Um,

[00:52:03] **Antony W.:** but typically, when you lease it, you're going to pay a lot more for that piece of equipment over the term of the lease, aren't you? You're going to pay a lot more for it. Is there a, is there a percentage that you would typically think, well, that's a good deal or a bad deal?

[00:52:19] **April M.:** no, I don't think so. Um, I, I think it comes down to running the numbers. That is 1 thing that we do for our clients. If they say, hey, I'm looking at leasing this equipment or buying it. We run the numbers a salesperson is going to sell it to you in a way that they make the most

[00:52:35] **Antony W.:** Of course. Yeah. Yeah.

[00:52:37] **April M.:** And so, if you have an independent person, like, maybe your accountant or your tax person that can review the numbers and run the numbers with you and help you make that decision.

[00:52:46] **April M.:** I think that's more valuable to you than maybe me trying to give a percentage or a, just a 1 size fits all answer.

[00:52:56] **Antony W.:** So once again, talk to your accountant, have a good relationship with them because varies depending on your tax laws and, and sometimes all sorts of other things about that they might know about your business insights that they have into your business. Yeah.

[00:53:09] **April M.:** You know, for example, in the United States, we have some things fun things that we can do with appreciation

[00:53:15] **Antony W.:** Hmm. Yeah.

[00:53:16] **April M.:** I, if I buy equipment, I might be able to fully appreciate it. If I leave the equipment, it's different. If I buy something outright, maybe I get to only take an expense deduction on the interest, not on the principle.

[00:53:29] **April M.:** So, you know, you need to work with somebody that understands the laws in which you operate on that area. And they need to understand your cash flow situation too, because it could be that tax wise, it makes the most sense to buy it, but then you look at cash flow and that doesn't

[00:53:49] **Antony W.:** Yeah. Yeah.

[00:53:50] **April M.:** it has to be a

[00:53:51] **Antony W.:** Yeah. Got it. Okay. All right. Uh, last thing I want to ask them before we wrap up is if I'm a young, you know, new salon owner, maybe I haven't even opened, but I'm about to open, I want to open my first salon and you, you had to give them one bit of advice and it can only be one bit of advice.

[00:54:08] **Antony W.:** What would you say was the single biggest mistake that you see salon owners make when it comes to the financial side of their business?

[00:54:16] **April M.:** Starting a business without talking to an accountant or a tax person that understands the industry,

[00:54:21] **Antony W.:** Okay,

[00:54:23] **April M.:** because there's different types of entities that can be set up. There are, there's a lot of planning that can happen from the beginning that you can't go back and fix later.

[00:54:34] **Antony W.:** yeah, yeah. Good advice. Okay, so April has been fantastic. I've got so much, um, you know, knowledge from you and like your enthusiasm. And

I'm sure our listeners will reflect on what I said at the beginning that you just talk in a good common sense way that is applicable no matter where you live in the world.

[00:54:52] **Antony W.:** Whereabouts can people connect with you either online website or Instagram or other social media channels?

[00:55:00] **April M.:** Sure, well, Instagram or Facebook, to be honest, but you can definitely connect with us by going to our website. [www. Kopsa Otte. com](http://www.KopsaOtte.com). I'm going to spell that because it's a little bit different, but it's [k o p s a o t t e. com](http://kopsaotte.com). Uh, if you'd like to sign up for our newsletter, we have one that we do, um, at least once a month.

[00:55:27] **April M.:** Sometimes it's every other week that is specifically tailored toward the salon industry. Now, I will tell you a lot of times we talk about tax topics that are United States based. And so, That would be that's important for people to know. Um, I'll also tell you that, um, you can email me through that website.

[00:55:44] **April M.:** If you want to email me, I try to get back to all those emails. Sometimes I can't and I have to ask for help from somebody else, but we, we like this part of Kopsa Otte This is kind of our give back. We love giving back to the industry and helping educate people about the business side of the beauty industry.

[00:56:03] **April M.:** So. Okay. Let us be that resource for you. Um, as far as if you want to be a client of Kopsa Otte, we have a very detailed interview process to be a client of Kopsa Otte I while we have a sizable team. We're very picky. And so, if you reach out to us, because you want to be a client, we do not do business with clients outside of the US.

[00:56:24] **April M.:** So I'll clear that up. but if you want to be a client, then be prepared because we do have a, an interview process.

[00:56:31] **Antony W.:** That's good. There's nothing wrong with that at all. That's fantastic.

[00:56:34] **Antony W.:** Okay. Well, listen, I will put those links, uh, on our website, growmysalonbusiness.com. Uh, and in the show notes for today's podcast, no matter where you're listening to it.

[00:56:44] **Antony W.:** So April. Thank you ever so much for being on this week's episode. I've really, really enjoyed this conversation and, uh, you've made, for some people they'd go, Oh, I'm talking to an accountant, I don't need to listen to that one, but I am quite sure that everyone who's listened to this would have gone, that was really good.

[00:57:00] **Antony W.:** I've enjoyed it. So, thank you ever so much.

[00:57:03] **April M.:** I'm honored that you had me. Thank

[00:57:04] **Antony W.:** Great. Cheers. Until the next time

[00:57:06] **Antony W:** Well, I hope you enjoyed this week's episode with April McDaniel as much as I enjoyed recording it. For salon owners, I think it's incredibly important to have a good relationship with a CPA or accountant that understands our industry, your business and your goals and ambitions. Now we will be opening up our money course for enrollment again in Early September for a limited time.

[00:57:32] **Antony W:** So to get on the waitlist, visit growmysalonbusiness.com forward slash course forward slash money to be notified and to find out what it's all about and how it can help you to grow your Salon business. So again, I'll put that link in the show notes. It was [grow my salon business. com](http://growmy salon business. com) forward slash course forward slash money to be notified of when the money course opens again for enrollment.

[00:58:01] **Antony W:** So until then take care and I will look forward to seeing you next week.

[00:58:06] **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, or on Facebook and Instagram at Grow My salon Business. And if you enjoyed 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.