



– Antony Whitaker presents

MONEY

“

**Most people want more time and money.
But, they aren't willing to invest time and
money to make more time and money.**

Anon



Antony Whitaker

Antony Whitaker is the ultimate educator and motivator, with a worldwide reputation based on more than 30 years' experience in the hairdressing industry. He is internationally acclaimed as a gifted, multi award-winning stylist-turned-educator, seminar presenter, motivator, business coach, podcaster and best-selling author.

From being a former creative director of Sassoon Salons and schools in the UK, to becoming a multiple salon and school owner in Sydney. As well as twice being named Australian hairdresser of the year and being awarded the much coveted 'Grand Trophy of the 'Association International Professional Press' in Paris.

Antony is now recognised and respected worldwide as one of the industry's leading educators and motivational speakers. Having taken his message on management, money, marketing, team-building and retailing to hairdressers in more than 50 countries.

His series of inspirational GROW books for salon owners and managers sets a new benchmark of business excellence for hairdressers.

The Grow My Salon Business podcast is one of the industries leading podcasts featuring a wide range of experts all with one goal in mind, "to help 'you' to grow your salon business!"

In the fast moving world of hairdressing Antony Whitaker has remained at the top and continues to train, lead and inspire many of the hairdressing world's biggest names. His unrivalled reputation as an educator across the industry ensures he is respected, admired and in much in demand.

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**Continuous effort, not strength
or intelligence, is the key to
unlocking our potential...**

Sir Winston Churchill

Introduction Money Course

Welcome to the 'Money' course, a personal and business development online course specifically for salon owners and managers in the hair and beauty industry.

The hair and beauty sector is a major contributor to economies everywhere, with salons of all shapes and sizes in every city, town, village, mall and high street across the world.

Hair and beauty salons are significant employers, providing career paths that typically start in either a beauty school or an apprenticeship and from there opportunities branch off in many directions.

Most salons are small businesses with less than five employees and are owned and managed by a hairdresser who also works behind the chair servicing clients.

Compared to many other industries, setting up a salon business of your own is a comparatively low cost entry point which enables many young hairdressers with an entrepreneurial spirit to start their own business.

That is one of the things that makes the industry so vibrant but is also one reason as to why there is often a lack of business acumen and financial management experience.

The often hard learnt lesson is that the skills that make you a successful hairdresser behind the chair are not the same skills that you need to build and manage a business. And as an industry although there is an abundance of technical and creative training there is very little in the way of practical financial business education. Until now.

Whether you are just starting out in the hair and beauty business or perhaps you have years of experience behind you the 'Money' course is the key to making you more successful. In this course are the tools and understanding needed to put you on the fast track to becoming a financially successful salon owner.

Regardless, of whether you're a salon owner, or a manager "welcome and thank you" for letting me have this opportunity to have an influence on you and 'your career' in this great industry.

'Money' is a course that forms the 'Foundations of a successful salon business' Study it, use it, work at it. And I promise you 'it will make a positive difference.'

So welcome to the world of hairdressing and welcome to 'Financial Management.'

I wish you the very best of success on your journey in what can be an amazing career.

Best wishes.



“

**The goal is not to be perfect
by the end; the goal is to be
better today.**

Simon Sinek

How to use this workbook

This workbook is designed to be used with the online 'Money' course.

The 'Money' course is made up of 9 modules and within each module there are a series of videos or lessons. The lessons vary in length from 7 minutes to approximately 45 minutes.

At the end of each video there is a lesson summary and when relevant there are some 'Action Steps' for you to complete, ideally before you move onto the next video lesson. The purpose of the 'Action Steps' is to get you to integrate 'the lesson' into your current business practices.

As with any learning the real benefit is not just in acquiring more knowledge, that's just the first stage. The real benefit comes from the implementation of knowledge and making the skills 'a part of who you are', as opposed to being just theory.

Remember, like most things in life, you don't just do the 'course' and get processed and then come out the other end magically transformed! You need to DO the course and 'DO THE WORK' too! Momentum, consistency and implementation are essential if you want the results you are capable of!

To keep you on track I have included a calendar for you to track your progress. The calendar lists each module and the lessons contained within it.

I suggest that after completing each lesson and the action steps, that you schedule a date to watch the next lesson and 'tick' each lesson off when completed.

Remember, momentum is important! So committing to another date and time after you have finished each lesson and the action steps will keep you motivated and moving forward.

As you work through this course my goal is for you to feel empowered about taking control of your finances and maximising your business potential.

I know that the people taking this course will be at varying stages of their personal and professional development.

Inevitably some of the exercises and 'Action Steps' will be more relevant to one person than the next. But I encourage you not to dismiss something without first giving it a try. In fact I encourage you to try everything and to adapt the ideas in the course to suit your goals and ambitions.

As I am based in the United Kingdom the spelling is 'British English'.

“

It's never too late to be what you might have been.

George Eliot

How to use this workbook

When referring to currency I use the term 'Dollars' and the numbers I use are purely to illustrate an example. You adapt the numbers and currency to suit depending on whether you use Euros, Pounds, or US, Canadian, Australian or New Zealand dollars or whatever your currency is.

Likewise, adapt the content in the 'Money' course to suit your culture, your salon, your clients and your own goals and objectives.

The information in this workbook and video series is not intended to be a substitute for professional legal or financial advice. Always seek the advice of your attorney, accountant/CPA or financial advisor, as well as other qualified business professionals, with any questions you have regarding your business.

The information contained in this video series represents the views and opinions of Antony Whitaker and those individuals that are interviewed on the grow my salon business podcasts and other media.

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The easiest way to get started, is to start.

Antony Whitaker

Money Course Calendar

Module	Lesson	Length	Date Scheduled	Done <input checked="" type="checkbox"/>
Course Introduction	Lesson 1 Course content overview	09:11		
	Lesson 2 How to use this course	14:43		
	Lesson 3 Legislation compliance	13:42		
Module 1: Financial Foundations	Lesson 1 Why did you open a business?	11:41		
	Lesson 2 The financial functions of business	15:46		
	Lesson 3 The language of numbers	06:21		
	Lesson 4 Playing the game of business	11:49		
	Lesson 5 Understanding profit & profit margin	07:41		
	Lesson 6 The Investor	14:14		
	Lesson 7 What is your profit target?	13:59		
Module 2: Getting Organised	Lesson 1 Financial information systems	16:14		
	Lesson 2 Petty cash management	09:00		
	Lesson 3 Accountants & Bookkeepers	22:30		
	Lesson 4 What is your financial vision?	10:21		
	Lesson 5 Knowing the numbers that matter	11:11		

Money Course Calendar

Module	Lesson	Length	Date Scheduled	Done <input type="checkbox"/>
Module 3: How do I read Financial Statements?	Lesson 1 How do I read a Profit and Loss	43:21		
	Lesson 2 How do I read a Balance Sheet	23:31		
	Lesson 3 How do I read a Statement of Cashflow	13:21		
Module 4: How do I make sense of the numbers?	Lesson 1 Understanding benchmarks	43:41		
	Lesson 2 My salon benchmarks	37:27		
Module 5: How do I Reduce my Salon Outgoings?	Lesson 1 Reducing occupancy costs	30:28		
	Lesson 2 Reducing professional use inventory costs	35:11		
	Lesson 3 Reducing retail inventory costs	30:04		
	Lesson 4 Reducing the employee costs	11:04		
	Lesson 4.1 Reducing the employee costs for support staff	19:49		
	Lesson 5 Reducing the employee costs for income producing staff	12:14		
	Lesson 5.1 Reducing the employee costs for income producing staff	08:38		
	Lesson 5.2 Reducing the employee costs for income producing staff	06:34		
	Lesson 5.3 Reducing the employee costs for income producing staff	13:18		
	Lesson 6 Reducing the employee costs for salon owners	20:03		
	Lesson 7 Reducing the all remaining costs	15:19		
	Lesson 7.1 Reducing the all remaining costs	28:25		

Money Course Calendar

Module	Lesson	Length	Date Scheduled	Done <input checked="" type="checkbox"/>
Module 6: How Do I Set my Salon Budgets?	Lesson 1 Understanding the cash flow forecast	18:10		
	Lesson 2 The rolling 13 week cash flow	35:06		
	Lesson 3 Creating your own rolling 13 week cash flow forecast	45:23		
Module 7: How do I Price my Salon Services?	Lesson 1 What to consider when pricing your salon services	21:34		
	Lesson 2 Understanding the service price per minute	12:29		
	Lesson 3 Working out your service price per minute	29:52		
	Lesson 4 Service price per minute - Price List	36:22		
	Lesson 5 Overcoming the price list problems	09:53		
Module 8: How do I Pay my Salon Team	Lesson 1 What are the 5 things your pay system needs to achieve?	14:02		
	Lesson 2 The 5 pay structures and how they impact your salon culture	24:48		
	Lesson 3 Team based pay	11:42		
	Lesson 4 Commission based pay systems	21:50		
	Lesson 5 Understanding the impact of the pay cycle	16:18		
	Lesson 6 Level system performance and reward	26:48		
	Lesson 7 Paying the salon owners	16:14		
	Lesson 8 Paying the salon managers	17:48		
	Lesson 9 Paying the support team	15:23		
Module 9: How do I Increase my Salon Income?	Lesson 1 Is your business model rental or employee based?	16:01		
	Lesson 2 What is your salon revenue model?	16:20		
	Lesson 3 KPI's The drivers of productivity	09:00		
	Lesson 4 My top 12 KPI's	24:56		
	Lesson 5 Coaching for growth	11:04		
	Lesson 6 One to ones	19:26		
	Lesson 7 Setting financial goals for the salon	12:03		

Summary

- You should belong to your 'Professional Hairdressing Association'
- Facebook groups are a great resource for opinions and community, but don't rely on them as factual or legally correct advice.
- Do not take the ideas expressed throughout this course as necessarily being financially or legally correct for you in your location. You have the responsibility to get correct legal and financial advice that is applicable to you and your business in your situation.

Your action steps

- Investigate the 'Professional Employer Associations' that work solely with the hair and beauty sector in your location.
- Familiarise yourself with the range of services they offer, and become a member, so that you can utilise their resources to ensure that your business is legally compliant and always up to date with any changes to the law.
- If you don't already have an accountant. Or wish to change the accountant you have in module 2 lesson 3 we cover how to find an accountant that is the right fit for you.

Your notes

“
**I fought the law,
and the law won!**

Sonny Curtis



Module 1

Financial Foundations

Summary

- There are many reasons for opening a business, but the one thing that underpins all of them is the desire for ‘Financial gain’
- When opening a business, statistically the odds of success are stacked against you succeeding long term.
- The business has to make a profit if it is to survive!

Your notes

“
Profit is not something to add on at the end, it is something to plan for at the beginning.

Megan Auman

Summary

- As the owner overseeing the ‘financial side’ of your business is another hat you have to wear, and it’s also arguably the most important if you are to win in the game of business.
- Develop ‘Financial Operating Systems’ in every area to give you control over your business and allow you to make decisions based on facts not feelings.
- You can ‘delegate’ the job, but you cannot ‘abdicate’ responsibility.

Your actions steps

- Review the list of financial functions [on the following page] that go on in your salon [feel free to add to the list] write down the name or initials of the person who is responsible for the function, and if no one currently is, then leave it blank.
- Are there systems in place to ensure that the job or financial function could be taken over with minimal disruption by someone else in the event that the person responsible couldn’t carry out the job whether through illness or other reason?
- Systems need to be developed as either written, photographic or recorded instructions as to how the job is done to ensure consistency of standards, professionalism, legal compliance and internal security.

Your notes

“
**It’s simple: To master money,
you must manage money.**

T.Harv Eker



Financial functions of the salon

#	Financial Function	Initial for who is responsible for this function	Do you currently have a system or does a system need to be developed for this financial function?
1	Daily cashing up and banking		
2	Reconcile bank statements		
3	Pricing of products and services		
4	Setting and working to budgets		
5	Producing reports and keeping accurate records		
6	Managing accounts payable and accounts receivable		
7	Inventory management		
8	Managing both the individual and salon productivity		
9	Payroll and remuneration		
10	Liability and other Insurances		
11	Dealing with the banks		
12	Accountant liaison		
13	Bookkeeping		
14	Accounting software package i.e. QuickBooks, Xero, Sage etc		
15	Pensions		
16	Tax		
17	Government legislation		
18	Workmen's compensation		
19	Petty cash management		
20	Giving back		
21	Funds allocation		
22	Reinvestment strategy		
23	Negotiations with manufacturers, landlords, banks or staff		
24	Refunds, credits and discounts		

Summary

- Numbers are a language and just as you learnt the numbers in hairdressing you can just as easily learn the numbers of business
- In the 'language of business', sometimes things are known by multiple names.
- An important step in understanding the numbers is understanding the terminology and what the words mean.

Your notes

“
**Think of business as a good game.
Lots of competition and a minimum of rules.
You keep the score with money.**

Bill Gates

Summary

- 'Profit' is the difference between 'Income' and 'Outgoings' and is measured in dollars [or whatever your currency is].
- 'Profit Margin' is measured as a percentage of how many cents in every dollar the business keeps as profit.

Your notes

“
The first aim in business is to avoid making a loss.

Peter Drucker

Summary

- Someone (possibly you) invested a certain amount of money into getting your business started. And like all investments the business needs to be profitable if the loan is to be repaid.
- If you financed your own salon and the business never pays that loan back then you effectively bought yourself a job.
- Regardless of what stage in business you are currently at, you need to get the financial structure and systems in place and they will grow and expand as the business does.

Your notes

**“
Those who don’t manage their money
will always work for those who do.**

Dave Ramsey

Summary

- The profit or profit margin of a business needs to be a goal. And like all goals, the more specific the goal is, the more likely you are to achieve it.
- Profit is what is left over, after everything else has been paid, including your pay as owner'.
- Profit is either kept in the business as retained earnings where it is used for a variety of purposes, or it is distributed as a dividend to the business owners as taxable income.

Your notes

“
Man without target sure to hit it.

Chinese proverb



Module 2

Getting Organised

Summary

- The key to good financial management starts with getting organised and to do that you need to have the right systems in place.
- The role of your Point Of Sale system is Recording Income and Information. Whereas the role of the accounting software is to record Income and outgoings.
- Together they are the financial dashboards for your businesses, and they record all the information that your accountant needs to produce a legal end of year set of financial accounts.

Your notes

“
**If you don't get serious about your money
you will never have serious money.**

Grant Cardone

Summary

- The Petty Cash fund is for small incidental expenses occurred in the daily running of your business.
- Although petty cash funds are small, they still need to be managed properly. You need a simple system so that the expenses are tracked and recorded properly for when tax time comes around.
- If you don't have proper documentation and receipts you will not be able to treat Petty Cash purchases as a tax deductible expense.

Your notes

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You must acquire the habits and skills of managing a small amount of money before you can have a large amount.

T. Harv Eker

Summary

- The role of the bookkeeper is to accurately record all of the financial transactions and to keep the business financially organised.
- The role of the accountant is to provide deeper analysis of the data, advise on tax matters and to guide you in making sound financial decisions.
- The role of the business owner is to manage the business and the day to day cashflow and productivity of the business. And to make financial decisions based on what the numbers are telling them.

Your notes

“
**Accounting is the
language of business.**”

Warren Buffet

Summary

- The vision for your business is unique to you, and your business model, and your goals and aspirations.
- One of the core components of developing your vision is for you to define the ‘Financial standards’ that you aspire to.
- Defining the ‘financial vision’ for your business gives you a starting point and a point of reference to create the financial management systems that are unique to you and your business.

Your Action steps

- Review and answer the questions [on the following pages] around developing your ‘financial vision’.

Your notes

“
Dream big. Start small.
But most of all, start.

Simon Sinek

My salon financial vision

- What business model - Commission, rental or other?

- How will you generate revenue?

- What price point will you be at?

- Will you have a level system?

- What salon point of sale software will you use?

- What accounting software will you use?

- Will you do the bookkeeping yourself or will you outsource it?

- What levels of financial productivity would you expect from your team?

- How often will you have a price rise and what will determine the amount?

- What sales targets do you have?

- What KPI's will you monitor?

- How much will you pay yourself?

- What is your annual profit target?

- What percentage of the profit will be reinvested back into the business?

- What percentage of the profit will be or to be taken as a directors dividend?

- What amount of cash will you keep in the business as a buffer?

- What percentage do you expect the business to grow by every year?

Summary

- Key Performance Indicators are simply the most important numbers you should measure and monitor.
- Not all measurements [or KPI's] are relevant to every business. You need to choose the ones that are relevant to you and your business.
- Some KPI's are best measured by a dollar value. Other times it's better to use a percentage. And some times it's best to use a number of units.

Your notes

“
**If you can't measure it you can't manage it.
What gets measured improves.**

Peter Drucker



Module 3

How do I read Financial Statements?

Summary

- The Profit & Loss report is a record of 'Income', minus 'Cost Of Sales', which equals 'Gross profit', minus 'Operating Expenses' which equals 'Profit' or 'Net Income'.
- Don't just accept the default categories and line items that come with accounting software. Instead you should change it to reflect the terminology and information that is most useful to managing your business.
- For the business owner the purpose of the P&L is to help them make more informed and better financial decisions for their business.

Your action steps

- Review your most recent annual 'Profit and Loss' report and based on what you have learnt so far in this lesson what line items would you like to include, merge, separate or rename to give you clearer insights.
- If you have P&L's going back over the last 3-5 years, compare them to see what trends you can see? What's increasing and what's decreasing?
- One word of caution; Before you rush of to your accountant or bookkeeper to get them to make changes hold off until you have completed Module 4 where you will understand how the P&L and 'Benchmarking' your performance go hand in hand.

Your notes

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**The more you learn,
the more you earn.**

Warren Buffett

Summary

- A 'cash flow statement' isn't a legal requirement for small businesses in every country.
- A 'cash flow statement' tracks the cash in and out of the business.
- There are 3 core components of a cash flow statement. Cash flow from operational activities. Cash flow from investing activities. And cash flow from financing activities.

Your action steps

- Ask your accountant [if they don't already] can they produce a 'cash flow statement' for your business. Alternatively, if you feel confident that all of the information has been input correctly into your accounting software under the reports section you can select 'Cash Flow Statement' or 'Statement of Cash Flows' and do it yourself. Either way with your new found knowledge what insights does it give into your business?

Your notes

“
**It's not how much money you make,
but how much money you keep.**

Robert Kiyosaki

Summary

- A 'cash flow statement' isn't a legal requirement for small businesses in every country.
- A 'cash flow statement' tracks the cash in and out of the business.
- There are 3 core components of a cash flow statement. Cash flow from operational activities. Cash flow from investing activities. And cash flow from financing activities.

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Your action steps

- Get the the most recent balance sheet for your business. And with your new found knowledge, look through it with a newly informed understanding of what it means
- With anything you don't understand, ask your bookkeeper or accountant to explain the terminology. "Why have they called it 'this' instead of 'that'?" And "Why have they separated or combined certain categories?" And "What do they think you should you focus on?"
- Commit to yourself that you will review your balance sheet every 90 days.

Your notes

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The best investment by far is developing yourself.

Warren Buffett

Cash Flow Statement (Example)

Salon Name

For the year ending

Opening balance

\$10,000

CASH FLOW FROM OPERATIONS

Cash from sales	\$1,000,000
Cash spent on inventory	\$100,000
Cash spent on payroll	\$400,000
Cash spent on operating expenses	\$250,000
Sales tax	\$100,000
Income tax paid	\$50,000
NET CASH FLOW FROM OPERATIONS	\$100,000

CASH FLOW FROM INVESTMENTS

Proceeds from sale of property plant and equipment	\$2,000
Payment for property plant and equipment	\$50,000
NET CASH FLOW FROM INVESTING	- \$48,000

CASH FLOW FROM FINANCING

Cash from loans	\$40,000
Owners contribution	\$10,000
Repayment of loans	\$40,000
Owners drawings	\$20,000
NET CASH FLOW FROM FINANCING	- \$10,000

NET CASH MOVEMENT

\$42,000

SUMMARY

Opening balance	\$10,000
Net cash movement	\$42,000
Closing balance	\$52,000



Module 4

How do I make sense of the numbers?

Module 4

How do I make sense of the numbers?

Lesson 1

Understanding benchmarks

Summary

- The purpose of benchmarking is to give you a point of reference to compare and measure your financial performance against.
- Benchmarks allow you to understand WHAT the numbers mean, and more importantly it opens the door to see HOW you can have an effect on them!
- Benchmarks aren't right or wrong. The 'Benchmarks' I used are just a reference to compare against.

Your action steps

- Prepare yourself for the next lesson where you will need your most recent profit and loss statement, your workbook, a calculator and pen.

Your notes

**“
Without data you're just
a person with an opinion.**

W. Edwards Demming

Summary

- Not every P&L is structured in such a way that the numbers you want are easily extracted, but with a little effort you can get the numbers and percentages that you need to see.
- Taking the numbers from an annual P&L [as opposed to just a monthly or quarterly P&L] averages out all the highs and lows throughout the year.
- Once you have turned the 'cost's into a 'percentage value', it is easier to make comparisons and see where your financial focus needs to be..

Your action steps

- Fill out the benchmarking form on the following page using the numbers taken from your most recent annual Profit and Loss.

Your notes

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A moments insight is sometimes worth a life’s experience.

Oliver Wendell Holmes Sr



Salon revenue benchmarking exercise

Where does all the money go?

This form is not intended to represent normal accountancy terminology of fixed and variable costs etc nor does it make any attempt to include for example 'depreciation' as a way to increase profit.

It is intended purely as a management tool to allow the salon owner/manager to have a benchmark as a point of reference to compare their salon results against.

The benchmark figures in the chart below under the column '**Compare to % Benchmark**' are a suggested set of percentages that reflect a typical scenario in many western countries. Feel free to change them to reflect what you feel may be more appropriate in your country. Alternatively you could base them on last years figures or whatever goals you may have. The important thing is that you have a figure in each category and it must add up to '100%'

The figures you in-put can reflect any period of time i.e. monthly, quarterly, or annual however to get a good average I suggest you use figures from your annual P&L in order to allow for the typical fluctuations throughout the year.

A common misconception is to not include the money the owner takes as a wage or salary in the 'Owners employee costs' category, as often for tax reasons they take income in the form of 'drawings or dividends'. This then implies that the owners 'income' comes from the profit section. Simply put 'it is not profit, if it's your income', profit is what is left after all costs are deducted including the owners income regardless of what it is called for tax reasons.

Formula for calculating a percentage:

The figure representing 'total income' is arrived at after any relevant sales taxes are deducted from total revenue.

To calculate the value of each category as a percentage of total outgoings of net salon income use the following formula. The same formula is used for occupancy cost, product costs, all other miscellaneous costs, employee costs and profit as percentage of total sales]

Total category expenditure expressed as \$ value, divided by the total net sales revenue expressed as a \$ value for the same period of time, multiplied by 100 = The category percentage of the total outgoings.

For example, total employee costs \$ divided by total sales revenue \$ for the same period of time, multiplied by 100 = The percentage of the total sales that went out as employee costs

Salon example:

$\$400,000$ [employee cost] \div $\$900,00$ [sales revenue] = $0.4 \times 100 = 44.4\%$ of turnover was employee costs.

Or to make life even easier... www.percentagecalculator.net

Salon benchmarking: Outgoings as percentage of total revenue

Where does all the money go?

Category	Formula to work out percentage. Category \$# ÷ Total sales = # x 100 = % Example \$32,000 ÷ \$400,000 = 0.08 x 100 = 8%		
	Input your currency amount [Taken from P&L]	Convert to % of total revenue	Compare to % benchmark
Profit		%	5%
Occupancy cost Rent or mortgage			10%
Professional in salon use product Back bar - Shampoo, Conditioners, Treatments Color - Perm - Bleach - Styling and finishing Other professional product used in salon		%	8%
Take home - Retail product All product purchased for in salon retail		%	5%
Employee cost support staff Non Income Producers Gross wages - Employee Benefits including Medical - Pension - Holiday pay - Other?		%	10%
Employee cost stylists/colorist etc Income Producers's Gross wages - Employee Benefits including Medical - Pension - Holiday pay - Other?		%	40%
Employee cost owners Excluding Drawings. Gross wages - Employee Benefits including Medical - Pension - Holiday pay - Other?		%	10%
All remaining costs Accountant - Advertising & Promotion - Bookkeeper - Bags - Bank fees - Cleaning - Credit card fees - Computer - Couriers - etc...		%	12%
All Remaining Costs: For example but not limited to...		%	100%

• Accountant - Advertising & Promotion - Automobile - Bags - Bank fees - Bookkeeper - Cell/mobile phone - Cleaning - Coffee/tea/milk/sugar - Computer - Consultancy - Couriers - Credit card fees - Donations - Drinking water - Education and training - Electricity - Fees & permits - Flowers - Freight - I.T. support - Insurance - Laundry- Leasing charges - Licenses and registrations - Legal - Loan repayment - Magazines/Newspapers - Maintenance - Marketing - Music streaming - Music Performing rights - Office supplies - Parking - Payroll service - Payroll Tax - Petty cash - Postage - Printing - P.R. - Reference books - Repairs and maintenance - Registration fees - Security system - Staff amenities - Stationary - Storage - Social Media - Subscriptions - Sundries - Telephone and ISP - Tools and equipment - Towels - Trade subscriptions - Travel - State and federal Unemployment taxes - Uniforms - Utilities - Washing machine dryer lease - Water rates - Web development and maintenance - Web hosting and Domain - Workman insurance - etc



Module 5

How do I reduce my salon outgoings?

Module 5

How do I reduce my salon outgoings?

Lesson 1

Reducing occupancy costs

Summary

- If your rent is above the benchmark you need to understand the underlying reasons why before you can change it.
- If you are able to 'Increase the total sales without a proportionate increase in costs' you will always increase the profit.
- There are often opportunities to get creative and negotiate a reduced rent or rent free period.

Your notes

“
**You don't get what you want.
You get what you negotiate.**

Harvey Mackay

Module 5

How do I reduce my salon outgoings?

Lesson 2

Reducing professional use inventory costs

Summary

- If your 'Professional Use Inventory Costs' are above 8% of your total revenue it doesn't automatically mean it's a bad thing.
- There are many reasons why your 'Professional Use Inventory' spend may be higher than the benchmark, and many possible solutions that will help to reduce your spend.
- Using a colour App will help to manage inventory, ensure consistency, and reduce re-do's and wastage.

Your action steps

- Choose one thing from each of the following four categories discussed that you will focus on to reduce your 'Professional Use Inventory' costs.
 1. Inventory ordering systems
 2. Colour mixing systems
 3. Service pricing systems
 4. Product supplier

Your notes

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Are you focusing on the right thing, right now to get the right results?

Bev James

Module 5

How do I reduce my salon outgoings?

Lesson 3

Reducing retail inventory costs

Summary

- The 5% benchmark is purely a figure that is representative of the average salon achieving 10% of its sales from retail.
- The term 'Inventory turnover' means, "The average number of times that inventory is sold or used during a specific time period."
- The first step to avoid having a lot of 'dead inventory' sat on the shelf is to make sure that you get accurate and regular reports on the specific products that are and aren't selling.

Your action steps

- Choose one item from each of the four categories that we discussed that you will focus on as a way to reduce your 'Professional Use Inventory' costs.
 1. Retail ordering systems
 2. Retail buying strategy
 3. Product supplier
 4. Team

Your notes

**“
Inventory is money sitting
around in another form.**

Rhonda Adams

Module 5

How do I reduce my salon outgoings?

Lesson 4

Reducing the employee costs

Summary

- The combined employee costs percentage is your single biggest overhead, if you get the numbers wrong it will destroy the business.
- As the salon owner, it is your responsibility to make sure that you are compliant with your legal obligations under the local, and federal employment laws.
- When working out the percentages for each category you need to factor in the employee entitlements and benefits relative to your local employment laws.

Your notes

Module 5

How do I reduce my salon outgoings?

Lesson 4.1

Reducing the employee costs for support staff

Summary

- Look for ways to use technology to replace people doing repetitive and easily automated tasks so that your team are more focused on the client relationships and salon experience.
- Outsource specific jobs or employ people hourly for peak times and pay an hourly wage plus commissions or bonuses dependent on them achieving productivity targets.
- You need a training program in place for support staff to ensure that those on your team are helping to contribute to the salons overall productivity.

Your action steps

- Undertake an audit of all those people in 'support staff' roles on your team. Identify any opportunities where you could replace a person with a more cost effective technology based solution so that those on your team can focus on client relationship, client experience and delivering a great standard of work.
- Identify any job roles that can be outsourced as part time positions which could result in greater efficiencies and cost savings. For example this may include dedicated shampoo assistants, cleaners, laundry attendants, receptionists or dedicated customer service roles as part time positions.

Your notes

Module 5

How do I reduce my salon outgoings?

Lesson 5

Reducing the employee costs for income producing staff (Staffing Levels)

Summary

- How people are paid can be a very emotive subject, and there are lots of legalities to be taken into consideration. There is also a lot of trust involved, and feelings of ‘self worth’ and ‘appreciation’ that come into it.
- The ‘Overall Employee Costs Percentage for Income Producing Staff’ is to be around the 40% mark. But that doesn’t automatically imply that ‘no one’ will earn more than 40% of the service revenue they generate.
- You can’t afford to have stylists that aren’t productive, so find a balance that works for everyone around working hours to maximise utilisation.

Your notes

Module 5

How do I reduce my salon outgoings?

Lesson 5.1

Reducing the employee costs for income producing staff (Pay Systems)

Summary

- You need a system by which to pay your team, and whatever the system is it needs to apply to everyone.
- You should have a productivity based pay system that rewards people fairly for their performance.
- You should always subtract the sales tax or VAT or GST before commissions are worked out.

Your notes

Module 5

How do I reduce my salon outgoings?

Lesson 5.2

Reducing the employee costs for income producing staff (Pricing & Productivity)

Summary

- As the owner you need to understand the impact that your pricing and productivity systems have on the ‘employee costs percentage’ of your income producing staff.
- There is a finely balanced relationship between the time you allocate for an appointment, the prices you charge for that time and the overall productivity level of the stylist.
- Growth doesn’t just happen on it’s own, as the business owner you need to develop ‘pricing and productivity systems’ to ensure your team are growing.

Your notes

Module 5

How do I reduce my salon outgoings?

Lesson 5.3

Reducing the employee costs for income producing staff (Time Management)

Summary

- Not all hours are created equal. You need to ensure that you are open when clients want to come in, and that you are consciously setting staffing levels for peak times and balance that with offering staff flexibility.
- 'Time' is a resource that we are buying and selling. So it is essential that you manage the time and productivity of your 'Income Producers' if you are to keep the overall employee cost percentage where it needs to be.

Your action steps

- Review each of the points we've covered in the four lessons on 'Employee Costs for Income producers' and choose at least 1 idea from each lesson that you are going to implement.
- One idea from lesson 5 where the focus is on "Staffing levels"
- One idea from lesson 5.1 where the focus is on "Pay Systems"
- One idea from lesson 5.2 where the focus is on "Pricing and Productivity"
- One idea from lesson 5.3 where the focus is on "Time Management"

Your notes

Module 5

How do I reduce my salon outgoings?

Lesson 6

Reducing the employee costs for salon owners

Summary

- As the salon owner you need to be paid for everything you do, whether it's behind the chair or in a management capacity.
- If you run your personal expenses through the business, you will not legitimately be able to claim on them and it will inflate your income and create a tax issue at the end of the financial year.
- As the total sales of the business grows so should the owners income increase. But although in real terms their income increases, what their income represents as percentage of the total sales will typically decrease.

Your action steps

- Work out what percentage of the salons total sales you are really paying yourself. Starting with the base salary plus any benefits that you are running through the business whether that's, car payments, or any perks such as your mobile phone, travel expenses, meals, etc... This is just for you to see what you are really getting from the business.

Your notes

Module 5

How do I reduce my salon outgoings?

Lesson 7

Reducing all remaining costs

Summary

- ‘All remaining costs’ are anything that isn’t, Occupancy cost, Inventory Cost or Employee costs.
- There are 5 main causes that are the reason for a budget blow out in this category. 1. Lack of a budget. 2. Lack of discipline in monitoring and working to the budget. 3. Running personal expenses through the business. 4. Wastage. 5. Unnecessary expenses that aren’t relevant to your target market.

Your notes

Module 5

How do I reduce my salon outgoings?

Lesson 7.1

Reducing all remaining costs

Summary

- Lack of a budget and the discipline needed to monitor and work to the budget is the main reason 'All Remaining Costs' gets out of control.
- Running 'Personal expenses' through the business will give you a false understanding of what is really happening in your business.
- 'Wastage' contributes significantly to budget blow outs in the 'All Remaining Costs' category.
- Avoid un-necessary expenses that aren't inline with your target market.

Your action steps

- Review this lesson, and identify all the areas that are relevant to you and your business where there are opportunities to reduce or cancel expenses in the 'All Remaining Costs' category.
- Choose 3 that you can implement immediately and make a start.

Your notes

**“
The art is not in making
money but in keeping it.**

Anon



Module 6

How do I set my salon budgets?

Module 6

How do I set my
salon budgets?

Lesson 1

Understanding the cash flow forecast.

Summary

- A cash flow forecast is a prediction of the money that you ‘predict’ will come into the business over a certain period of time, and the money you predict that will go out of the business over the same period of time.
- The problem with many salon owners is that there is no financial forecasting, and so they are often only aware of cash flow challenges when they are already in the thick of it.
- The rolling 13 week cash flow forecast, allows you to always see a predicted cash flow a minimum of 13 weeks into the future.

Your notes

**“
Hope is not a financial plan.**

Ric Edelman

Module 6

How do I set my salon budgets?

Lesson 2

The rolling 13 week cash flow forecast.

Summary

- The 'cash outflow' is made up of more line items than 'cash inflow'. But every dollar that comes into the business must be accounted for in the 'cash outflow' and 'ending cash section'.
- If you are including 'rental income' from stylists you cannot also include their 'service revenue' as income under the 'cash inflow' section.
- Having an 'actual' column allows you to refine and improve your cash flow forecasting.

Your notes

“
Every dollar that comes into your business has a name on it, telling it exactly where it’s meant to go.

Anon

Module 6

How do I set my salon budgets?

Lesson 3

Creating your own rolling 13 week cash flow forecast.

Summary

- The initial set up of the 'Income' and 'Outgoings' for the 13 weeks takes a little time. But the more accurate you can be with your forecasting the more useful the cash flow forecast will be.
- The main purpose of the 'actual' column is to help you fine tune the numbers you are forecasting based on what actually happened.
- The first couple of times you do this might take time and be a little confusing. But once it's set up properly this shouldn't take you more than a maximum of 20-30 minutes a week.

Your action steps

- Get started with the Microsoft excel or Google spread sheet provided in the resources section.
- Recognise that the first time you do this, you may make some mistakes.
- Use your bookkeeper or accountant for their advice on how to personalise it to best suit your business and current financial situation.

Your notes

“

We often avoid taking action because we think 'I need to learn more,' but the best way to learn is often by taking action.

James Clear



Module 7

How do I price my salon services?

Module 7

How do I price my salon services?

Lesson 2

Understanding the service price per minute.

Summary

- By working out a 'service price per minute' you can more accurately price your salon services based on covering the costs incurred in running the business and a built in profit margin.
- When working out your 'Service Price Per Minute' you are best to take the numbers that show what it costs to run your business from an annual P&L so as to average out the fluctuations in income and outgoings.
- To work out your 'SPPM' you need 3 numbers. The 'Total Cost Of Sales'. The 'Total Operating Expenses'. And the 'Total Cost Of Retail Product'

Your action steps

- From your most recent 12 month P&L combine the 'Total Cost of Sales' figure with your 'Total Operating Expenses' to arrive at a figure for 'Total Annual Expenses' which represents what it costs to run your business for the year.
- From your most recent 12 month P&L find the number that represents the 'Total Cost to you of all the Retail Product'

Your notes

“
Running a profitable salon is a math problem.

Steve Lentini

Module 7

How do I price my salon services?

Lesson 3

Working out your service price per minute.

Summary

- You need to deduct the 'total cost of retail' before working out your SPPM to ensure that the retail side of the business is not 'carrying' the services side.
- There are always variables that will fluctuate as your business changes so repeat the Service Price Per Minute Exercise at least once every year.
- A common mistake salon owners make with the 'service price per minute' is setting prices for the past and not the future. It's important to realise that your prices must reflect the cost of running your business for the year ahead, not the year that was.

Your action steps

- Use the Excel or Google spread sheet in the downloads section titled "Service Price Per Minute Calculator" and work out your own Service Price Per Minute.
- If you do not currently have either a P&L or a budget forecast for the year, then you will need to make some estimates based on whatever information you do have. Anything is better than nothing.

Your notes

**“
The only way to find out if it
will work out, is to do it.**

Simon Sinek

Module 7

How do I price my salon services?

Lesson 4

The Service price per minute price list.

Summary

- Regardless of your business model, what they all have in common is a link between the services you offer, the time allocated and the price you charge.
- Based on the SPPM if there are any loss making services in your current price list you need to ask yourself 4 questions. 1. Do I increase the price of the service? 2. Do I reduce the time allocated for the service? 3. Do I stop offering the service? Or 4, do I justify and accept it as loss making?
- As much as you will notice that some of your services might be loss making, you will also see that others are extremely profitable.

Your action steps

- Work through the spreadsheet titled 'Salon Pricing Menu' and fill in your service menu, the time allocated for each service, and the current price.
- Work through each item that is indicated as loss making and review the 4 questions to determine your next step.

Your notes

“

Failure is simply the opportunity to begin again, this time more intelligently.

Henry Ford

Summary

- It is your job as the salon owner to develop a price list that applies to every client, and every stylist, based on what it costs to cover all of the business overhead and make a profit.
- As the salon owner recognise that with any price list there will be exceptions, and that they are the decisions that only you can make based on how you want the salon to operate, and importantly, how 'you' would want to be treated if you were the client.

Your action steps

- Develop a price list that is easy to understand and covers all possible scenarios relative to your service offering.

Your notes

“
There’s a lot of clarity in hindsight.

Julia Hartz



Module 8

How do I pay my salon team?

Module 8

How do I pay my salon team?

Lesson 1

What are the 5 things your pay system needs to achieve?

Summary

- ‘YOU’ have a responsibility to find out what the ‘Law’ is where you are located, and to keep on top of any changes that affect you in your location, ‘as and when’ the laws are updated.
- When it comes to how you pay your team, there isn’t, never has been, and shouldn’t be a one size fits all approach.
- Regardless of the pay system that you come up with, it needs to operate within the total percentage that you allocate towards ‘Employ costs for Income Producing staff’.

Your notes

“ Don’t just make money, make a difference.

Grant Cardone

Module 8

How do I pay
my salon team?

Lesson 3**Team based pay systems.**

Summary

- If you have a pay system that is based purely on a system of individual performance-based commission, it doesn't build teams, it builds and rewards individuals.
- The 'Team-based pay' system isn't just a way of paying, it's a system that really does build and reward a productive team culture.
- 'Team-based pay' isn't for everybody. Because it is a system, 'that is not about the individuals' that are just out for themselves, It is about the team, the business, and the client.

Your notes

“
Success is a team sport.

Simon Sink

Module 8

Lesson 4

How do I pay my salon team?

Commission-based pay systems.

Summary

- The most common way of paying income producers because it’s generally easy to understand, and it links the individual's pay directly to their personal productivity. And so the onus is on the stylist to earn more by doing more.
- As the salon owner, you need to balance the individual commission percentages, with the salon's total employee cost percentage
- Understand the impact that including benefits or entitlements as well as any ‘deductions’ have on commission percentages.

Your notes

“
**Money does not change people,
it unmask them.**

Henry Ford

Module 8

How do I pay
my salon team?

Lesson 5

Understanding the impact of the pay cycle.

Summary

- There are advantages and disadvantages with every pay cycle, but when it comes to when or how ‘frequently’ you pay your team, first check what your legal obligations are.
- You should calculate commission on a 4-weekly target and pay on a 4-weekly cycle.
- Retail commission, if paid on a quarterly or 6 monthly cycle, can add up to a significant bonus in the pay packet. Which arguably, then motivates other people to be more focused on retail.

Your notes

“
Don’t go broke trying to look rich.

Anon

Summary

- Having a level system makes your business accessible to a wider section of the community. It creates a career path within your business, increases staff retention and makes you more attractive to potential employees.
- Choose the KPI's that are the most relevant to your business. I suggest that you use a maximum of 6 and in some cases 3 or 4 may be all you need.
- Promotion using a level system is based on productivity performance and is a totally transparent process.

Your action steps

- Reassess your current price list and determine how many levels will suit your business model.
- Define what the most relevant 'Key Performance Indicators' are for your business. I suggest that you narrow that down to five or six maximum.
- Decide what are realistic but achievable levels of expectation for each level.
- Whether you will include additional performance criteria, such as a specific number of weekly Instagram posts. As well as what additional benefits you could add at each level, for example an education fund.

Your notes

“
The money you make is a symbol of the value you create.

Idowu Koyenikan

Summary

- Salon owners should budget for themselves to be paid for all the work they do in the business, whether it's behind the chair or management tasks.
- When you are drawing money out of the business without it being taxed, it is being offset against the 'shareholders loan account'. When it goes into the negative, you are 'borrowing money' from the business that you either need to repay to the business or pay the tax paid on it.
- There are some perks or benefits that, although they are not directly part of your salary, they are at least a fringe benefit that the business is paying for.

Your action steps

- Get your salon's most recent 'Balance sheet' from the accountant, and see what the number is for the 'Shareholder loan account' for your business.
- If it's a positive number, that means that you have equity in the business, and effectively that the company owes you money, that you don't have to pay tax on. Whereas...
- If it's a negative number, that means that you owe your company money, because you have taken out 'more than you put in'. And so you personally need to pay the company back. Or, alternatively, you need to pay the tax on the negative amount.

Your notes

“
If you want to feel rich, just count the things you have that money can't buy.

Anon

Module 8

How do I pay my salon team?

Lesson 8

Paying the salon managers.

Summary

- Before deciding on how to pay a salon manager, get clear on what the 'roles, goals and responsibilities' of the managers will be.
- Whoever you're giving that responsibility of salon management to, they need to have the training, the time, and the appropriate level of compensation to enable them to do it properly.
- Look for ways to link increasing the manager's compensation with increases in the salon's productivity.

Your notes

**“
Whatever you are, be a good one.**

Abraham Lincoln

Module 8

How do I pay
my salon team?

Lesson 9

Paying the support team.

Summary

- Apprentices, Assistants, Cleaners or Housekeepers, Receptionist, Office assistants and Virtual assistants are all considered salon support staff.
- Your 'support team' generally don't directly produce revenue. But they are instrumental in supporting those that do, by allowing them to be focused on 'income producing tasks' and therefore ensuring that the salon is as productive as possible.
- Regardless of their position, the support team must directly, or indirectly, pay their way by making a positive contribution to the salons productivity.

Your notes

“

A team is not a group of people who work together.
A team is a group of people who trust each other.

Simon Sinek



Module 9

How do I increase my salon income?

Module 9

How do I increase my salon income?

Lesson 1

Is your business model rental or employee-based?

Summary

- Running and managing a ‘rental-based or self-employed’ business model is easier than an employee based business.
- With an employee-based business model, as the owner, you have a lot more ability to make an impact on the salon's revenue potential.
- With a rental-based business model, the salon's income is based on the rent you charge and the amount of renters that you have.

Your notes

“
Hard work beats talent if talent doesn't work hard.

Tim Notke

Module 9

How do I increase my salon income?

Lesson 2

What is your salon revenue model?

Summary

- The bulk of your revenue will traditionally come from services and retail.
- You can choose to focus on a specific niche or alternatively offer multiple products and services. But, if you decide to add in non-hairdressing retail, be careful because it can end up detracting from your salon services and retail model.
- There are many potential opportunities to create additional revenue but you need to decide what is a fit with your business model and vision.

Your action steps

- Are there other ways that you can leverage either your service and retail offering, your expertise, your location, your online and offline reputation or your business model?

Your notes

**“
You can have it all.
Just not all at once.**

Oprah Winfrey

Module 9

How do I increase my salon income?

Lesson 3

KPI's The drivers of productivity.

Summary

- Key Performance Indicators are the numbers that you should focus on to measure and monitor the productivity of both the individual and the salon.
- Depending on the salon business model and the services you offer, some KPI's will be more relevant than others.
- If I had to narrow it down to just two KPI's, it would be 'Client Count and Average bill'.

Your notes

“
The point of living is believing that the best is yet to come.

Peter Ustinov

Module 9

How do I increase my salon income?

Lesson 4

My top 12 KPI's.

Summary

- Key Performance Indicators are the numbers that you should focus on to measure and monitor the productivity of both the individual and the salon.
- Depending on the salon's business model and the services you offer, some KPIs will be more relevant than others.
- Most Salon Software systems will produce a report over whatever desired time frame on these 12 Key Performance Indicators.

Your action steps

- Review the list of 'Key Performance Indicators' that we have just gone through and decide which are the main ones for you and your business to focus on. Determine which ones you need to look at on a daily basis, weekly, monthly or perhaps only quarterly basis.
- Ensure you have the systems in place to give you the summary reports needed.
- Allocate a set times daily, weekly, and monthly to review the results.

Your notes

“
You can't change what you don't acknowledge.

Dr Phil

Summary

- If you're serious about growing the business, you need to grow the people within the business. And that's the role of the coach.
- Every individual in the business has to be a profit centre in themselves, or at least make a direct contribution towards the profitability of the business through the support role that they have.
- Most people need someone to guide them and give them feedback in order to become the best and most productive version of themselves.

Your notes

“
The best way to predict the future is to invent it.

Alan Kay

Summary

- Create a culture of 'giving feedback', whether it's to acknowledge great performance or to 'identify opportunities to improve' so that it's not seen as a big deal and is simply part of the culture of the salon.
- 'One-to-one' coaching is simply where you give the stylists feedback on their results, and congratulate them on what they've achieved, and look for opportunities to improve where it's needed.
- As the coach, your role is to look for ways that you can offer support and help to develop their levels of productivity!

Your action steps

- Reflect on the systems you currently have (or don't have) that are for the purpose of coaching your people 'one-to-one' to grow through goal setting and accountability for their results.
- Ask yourself, are the systems you currently have working for you? And if not, what 'one-to-one' coaching strategies could you adopt?
- How will you integrate those systems into your existing culture?

Your notes

“
The only person you should try to be better than is the person you were yesterday.

Anonymous

Module 9

How do I increase my salon income?

Lesson 7

Setting financial goals for the salon.

Summary

- The main reason that most goals are never achieved is because they are simply hollow generalised statements of hope and not clearly defined plans and measurable drivers that will make it happen.
- “What are you going to do?” And “How are you going to do it” are the two ‘never ending’ questions that drive the business forward.
- Even if you have only one goal in your business, make it a goal to achieve a specific level of profit every year.

Your action steps

- Set 3 goals for your business. Make the first one a profit goal, and you choose the other two.
- Each goal must be specific, and measurable. Meaning that it must include numbers whether dollar values, percentages or number of units and have a specific time frame for completion.
- When you have written your goals out, review the strategy questions in the workbook and make a bullet-point plan that will give you the best chance of turning the goals into reality.

Your notes

“
**Start Where You Are. Use What You Have.
Do What You Can.**

Arthur Ashe