



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

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| 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% |
| Total Income | | % | 100% |

All Remaining Costs: For example but not limited to...

- 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