

# Salon Types and Their Locations

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“Life by the Numbers”

Mr. Orioli 2009-10



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**It's Choice - Not Chance**  
**- that determines your**  
**destiny.**

Jean Nidetch



# Four Major Groups

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- Hotel
- Department Store
- Shopping Center
- Home-Neighborhood Salon



# Hotel Operations

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- ❑ Small Operations (2 to 8 Operators)
- ❑ Space is leased to an owner by the hotel for a given number of years
- ❑ Salon adds value to hotel
- ❑ Some cleaning and maintenance work is provided by the hotel
- ❑ Some utilize a hotel “charge” system
- ❑ Some restrictions are placed on “signage”, decorating, and operating hours

# Department Store Salons

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- ❑ Most operate a leased space
- ❑ Major department stores contract with nationwide chain of salons
- ❑ Very small to multiunit salon of thirty to sixty operators
- ❑ Makes use of “mass purchasing” and central supply depots
- ❑ Supplies ordered once per month
- ❑ “Charge” system is used
- ❑ Fee charged for cost of accounting and maintenance
- ❑ Image and cliental must be compatible to salon’s
- ❑ Store’s advertising is important consideration
- ❑ Who handles customer complaints?
- ❑ Consider handling store model’s hair styling
- ❑ Make sure employee benefits, parking permits for employees, customers, credit cards, accounting procedures, decoration coordination, advertising, and store hours are clearly stated in the agreement.

# Department Store Chains

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- ❑ Store lunchroom or cafeteria
- ❑ Employee's discount shopping
- ❑ Paid vacation
- ❑ Sick pay
- ❑ Group insurance
- ❑ Profit sharing
- ❑ National and local paid advertising
- ❑ Because of “umbrella” costs, the percentage to the operator of gross sales usually runs from 40 to 50%
- ❑ Product sales: should customers buy at salon or store?
- ❑ Good places for nail-care services
- ❑ Liability insurance



# Shopping Center Salons

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- ❑ Larger number of clients and offer a larger range of services
- ❑ From 2 to 8 operators
- ❑ Rent is determined by a leasing agreement, a flat rent plus a percentage figure after a certain level of gross sales is reached
- ❑ (usually between 8 to 15%)
- ❑ Consider demographics, traffic patterns, seasonal considerations, and hire an attorney for negotiations

# “Shop” Math

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- A salon measures 30 feet by 70 feet
- $30 \times 70 = 2,100$  square feet
- \$12 per square foot (per month)
- $12 \times 2100 = \$25,200$  per month!
  
- How do you earn enough to cover \$25,200?

# Operator Earnings Potential

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- **Example:**
- **Wanda works 8 hours per day offering custom hairstyles in a mid-range salon.**
- **How much money can she “gross” in one week?**
- **How many operators are needed to “cover the rent”?**
  
- 8 hours x 2 per hour =
- 16 customers per day
- 15 customers x \$40 per customer =
- \$600 per day
- \$600 per day x 5 days per week =
- \$3000 per week
- \$3000 per week x 4 weeks per month =
- \$12,000 per month
- Rent = \$25,200
- \$12,000 x 2 = \$24,000
- Just over 2 operators to cover the cost of rent



# Furnished by Shopping Center?

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- ❑ A “cement” (concrete) floor
- ❑ Four walls (is your blue print ready?)
- ❑ A ceiling
- ❑ A “bathroom facility”
- ❑ A heater that will heat one room, (no duct work)
- ❑ Electrical connections to the area
- ❑ A “display window”
- ❑ A door for customer entrance
- ❑ A back door for exit or emergency exit
- ❑ Check local laws, rules, regulations



# Home-Neighborhood Salons

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- ❑ Oldest type of salon
- ❑ Salon corporation, or partnership owns the property
- ❑ Becomes more valuable each day as property is paid off by revenue instead of paying for rent
- ❑ The salon is worth the price of equipment, supplies on hand, investment for utilities (electric wiring, plumbing, etc.) and the value of the land and building less the amount of any mortgage owed on the property.



# Home-Neighborhood Salons

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- ❑ Landlord-salon owner arrangements are also common.
- ❑ Land-lord rents the part of the building for the salon
- ❑ If owner lives on the premises, the owner may “deduct” salon expense “in proportion” to the percentage of space occupied by the salon.
- ❑ Salon owner is usually a “jack of all trades”
- ❑ Percentage profit margin is the HIGHEST in the industry, at the COST of the manager’s free time



# Naming a Salon

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- ❑ Should clearly identify the salon
- ❑ Should be short and memorable
- ❑ Should reflect the image of the salon
- ❑ Should not be too “trendy” that it will become “dated” when styles change



# Who Owns the Salon?

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- Individual Ownership
- Partnership
- Corporation



# Individual Ownership

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- ❑ Owner is directly responsible for all operations
- ❑ Bears all profits or losses
- ❑ Usually has little resale value
- ❑ Could have financial problems
- ❑ Most salons structured this way

# Partnership

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- ❑ “Marriage” of two people in business
- ❑ Two can “share” the load
- ❑ Need for a written agreement (contract)
- ❑ Amount of time, money invested, duties, wages, bills paid, expense account, maintenance... each partner should have
- ❑ Termination on death of one of the partners
- ❑ Joint liability
- ❑ One can cover when other is sick



# Corporation

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- ❑ Several people invest in stocks (shares)
- ❑ Resembles a partnership
- ❑ “Distributed’ liability (limited liability)
- ❑ Only responsible for the number of shares you own in the company
- ❑ Shares can be bought sold as bylaws permit



# Franchise Salons

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- ❑ Offers Standardization
- ❑ Less choices
- ❑ Buy into an established salon



# Be Aware, and Beware!

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- ❑ Have it in writing
- ❑ Know your responsibilities and rights within that agreement
- ❑ Know how you can terminate the agreement if it becomes necessary
- ❑ Consult with a good business attorney before signing
- ❑ Have him spell out advantages/disadvantages for you!
- ❑ Do your research!
- ❑ Do what you love, love what you do!