



The Salon/Spa Business Acid Test

By Neil Ducoff, Strategies Founder & CEO

In so many ways, a business is a living functional being. It has emotions, behaviors and vital signs. Your business can be disciplined and in amazing shape. It can be lethargic, disorganized and in terrible shape. A salon/spa business can be financially healthy. It can also be cash-starved, burdened with debt making it just plain sick. A business can outlive its owners ... and a business can die. A salon/spa business can "appear" successful ... but one look behind the curtain can reveal toxic conditions that cannot be hidden indefinitely. I put together this salon/spa business acid test to help you identify what's working right and what needs attention and fixing.

Here's my Salon/Spa Business Acid Test:

Instructions: After each statement and based on your company's current reality, enter one of the following scores:

- 5** = No Compromise
- 4** = Consistent
- 2** = Inconsistent
- 1** = Needs immediate fixing

NOTE: Because there is no #3, you're forced to score each statement above or below average. Anything below average is a red flag that requires attention.

PART ONE

Leadership and Culture

- Your company's culture is rock solid.
- Employees protect your company's culture.
- You address the wrong behavior and/or performance quickly.
- All employees know the company's monthly/weekly/daily goals.
- All employees are held to the same standards.
- Your salon/spa embraces change.

Part One Total ____

PART TWO

Productivity Business Outcome

- Your salon/spa's Productivity Rate rarely falls below 75%
- All service providers work within service time standards.
- All employees are responsible for every hour the salon/spa has available for sale.
- All service providers give every client a verbal and written prebook recommendation.

- All service providers give every client a verbal and written retail recommendation.
- All employees participate in daily huddles.
- Your salon/spa's Prebook Rate is 70% or higher.

Part Two Total ____

PART THREE

Profitability Business Outcome

- Your salon/spa has a current 12-month Cash-Flow Plan.
- Your Cash-Flow Plan is your "Boss."
- You understand and review your monthly Balance Sheet and Profit & Loss Statement.
- You have a cash reserve equal to at least three months of operating expenses.
- Service payroll costs average 30% to 35% of total revenue (Service + Retail = Total Revenue).
- Net Profit is 10% or higher.
- Your salon/spa is current on all expenses, taxes and debt payments.

Part Three Total ____

PART FOUR

Staff Retention Business Outcome

- One-on-one performance reviews are done at least quarterly.
- Pay is based on "overall performance" ... not just individual sales.
- Education and training is provided and paid for by the salon/spa.
- Teamwork is a core value.
- Employees would agree that the salon/spa is committed to helping them achieve their full potential.
- Employees work in a positive and inclusive culture.

Part Four Total _____

PART FIVE

Client Retention Business Outcome

- Your salon/spa's First-Time Client Retention Rate is 50% or higher.
- Existing Client Retention Rate is 80% or higher.
- All clients know that the skills of all service providers are available to them.
- Clients are more loyal to your "Brand" than a particular service provider.
- Clients willingly go to other service providers when their "favorite" is unavailable.
- First-Time and Existing Client Retention Rates are key factors in pay advancement.

Part Five Total _____

Total Score _____

How did you score?

If you scored 150 to 160 ... Congratulations! You have an amazing company.

If you scored 128 to 149 ... Your salon/spa is above average. However the closer your score is to 128, the more elements of your company require attention and fine-tuning.

If you scored 64 to 127 ... Your salon/spa is below average. The closer your score is to 64 ... the more dysfunction in your culture, the more missed opportunities ... and the more leaks you need to plug to prevent your salon/spa from sinking.

If you scored 32 to 64 ... Your salon/spa is on life support. Your investment of time, money, blood and sweat is at risk of loss.

Here's my challenge to you:

My Salon/Spa Business Acid Test is designed to either give you a good night's sleep or wake you up to what you're allowing to happen in your company.

Own your score by accepting that it is a reflection of your leadership. Kudos if you scored 150+. If you scored 64 or less, don't blame your employees, the economy or the business gods. It happened on your watch and under your leadership.

The question you must answer is what are you going to do to either protect your high score ... or fix what is not right in your company.

Perhaps it's time to do that *complimentary strategy session* with one of our coaches.



40 Main Street, Suite 7 • Centerbrook, CT 06409
toll-free 800.417.4848 (inside the U.S. & Canada)
860.767.2064 (outside the U.S. & Canada)
fax 860.767.2084

For more information,
contact **Heather Palmieri**
Director of Business Development
hpalmieri@strategies.com