

# Top 13 Mistakes Salon Spa Owners Make

SalonSpaOwner.com EXCLUSIVE

## Salon Spa Owner



**“Taking the *STRESS* Out of Your business and putting the *PROFIT* back Into it”**



Top 13  
MISTAKES  
Salon Spa  
Owners Make  
AND  
How to  
AVOID them.

“There are only two mistakes one can make along the road to truth; not going all the way, and not starting.”

-Buddha

## Why do so many of us owners keep making the same mistakes?

As Salon Spa owners, we change lives. We take people that are stressed and make them look and feel better. We give them Joy~! It's truly a beautiful thing.

...but since we're experts at changing peoples' lives, we're often Not experts when it comes to business items. We experiment (trial and error) with how to setup our systems, what to buy, how to hire, how to pay/compensate staff, how to market ourselves and find new clients (hoping we get it right sooner or later).

Working with thousands of Salon Spa owners over the last decade, we've noticed some common mistakes (even ones we made way back when).

Here they are, enjoy.

“Who Loves ya?”

*Christopher Brazy*

...continued

## **MISTAKE #1: Lack of Funding**

Let's face it... most of us opened up shop underfunded. Even with emptying our savings accounts or getting a second mortgage, it probably wasn't enough, was it? Honestly, we didn't even know how much it was going to take to get our business off the ground and finally supporting itself, so it could support us.

Here's how we started...

I had a good year online in 1999 and 2000 so we moved out here to CO to live in the mountains. We decided to put Zhenya's skills to use and open a spa in the mall. That took \$25,000 worth of home equity loan and was a huge "success." I say success because we did about \$200,000 in our first year... but we were both working 80 hours/week and not seeing a paycheck!

And that's just the beginning... We took out another \$125,000 home equity loan a few years later and bought our own building to expand our business! Now we were landlords as well, and our first baby arrived at the same time (he used to go to sleep in his car seat sitting on top of the gentle hum of the washer and dryer). From there we had 2 more children (twins), had to move again, and yet again when the city took over our building by eminent domain. That's 5 moves in 10 years (building out each time). We worked insane hours and lived, ate and breathed work (so much for a honeymoon)... all with little to virtually nothing for ourselves until years later when the business was finally able to support itself.

Then it hit me... the whole idea that we would NOT be able to take a paycheck for our own hard work never occurred to us BUT then finding out we would have to PUT MORE MONEY INTO our business was a complete surprise. And THIS is why 80% of businesses fail practically right off the bat (and 96% are still unprofitable after 10 years).

***All of this means that if we're not able to support our business until it gets off the ground (years) with the money it needs on a monthly basis AS WELL AS support ourselves, we're in trouble.*** How can we put money into the business which it so desperately needs when we're also trying to take it out for ourselves too? You can't. So we end up giving the business what it needs to stay open, which means (your) free labor. We then are waiting for the day when we're so filled with clients that it'll all pay off and be worth it which finally did come for us after much trial and error... most aren't that lucky though and go by making less than their staff until they can't bear the expense of their business any longer and finally just walk away.

## **MISTAKE #2: An Unrealistic Plan**

You'll love this story, it may even strike a chord with you. Some years ago I received a call from someone who wanted to open a salon spa. Well, not really a salon spa, but a 10-story tall pyramid shaped whole health complex! She said (as many of us do) since people "want the convenience of spending their money all in one place" (we now know this is not entirely correct).

Her dream was...

To build this 10-story pyramid (imagine the square footage) with each floor being designated for a different purpose. One floor salon, another floor spa, another floor a health club, another floor yoga,

another floor doctors, another floor a smoothie shop... and so on. Sounds nice doesn't it? But do you have any idea what it'd take to pull this off?

I don't mean to pick on anyone or smash anyone's dreams, so let's do the same with myself...

I'd LOVE a health compound as well. 100 acres, salon, spa, hiking, retreats, seminars... a whole "life makeover" ...and on the California coastline. OK, let's give this some more thought. It may be hard to keep a place this large hopping, so how about we put a hotel on top of it (a resort spa) to supply us with constant clients? Ok, this is getting pricier now, so we'll need investors. That means a board of directors, a staff of a few hundred and so on and so on. This reality sounds a bit different from what I envisioned, doesn't it? (actually, many hotel spas operate at a loss just to have the amenity of a spa at their hotel). And the idea of being the COO doesn't sound that fun does it.

So, my 2<sup>nd</sup> plan was I wanted to "own" my town by having a spa in every part of it. I figured if I had more locations and more a more elaborate place, offering more services with more staff open more hours I'd get more clients. In the words of Garth Brooks "Thank God for unanswered prayers." I'd hate having to oversee that many locations (and having that much rent!).

The point? Don't be married to your dream. Nothing in life works out as planned. The only thing we can count on is change, so welcome it. I now own a healthy share of my town with a single location because I set course and then adjusted my way as needed.

### **MISTAKE #3: Expenses (equipment/buildout)**

It all starts with the dream, doesn't it? A "one-stop-beauty-shop" filled with dozens and dozens of salon spa professionals, a stunningly beautiful building, a great waiting area, perhaps a yoga studio or smoothie bar, dozens of chairs, people flowing in and out buying, buying, buying.

Our spending (in general) is WAY out of alignment with our sales. Since we assumed our business would be profitable right away our focus was on making it the nicest place in town. This meant we spent a TON of money on buildout, and if not that then expensive equipment. The nicest, newest equipment, with the latest technology. We also have the largest inventory (we had 10 hair lines at one time... only to find it also being sold in Sam's club!) and the best amenities. We dream big and ASSumed that would lead to a big payout.

Once opened, life began and the bills (which seem to be never-ending) piled in... and they're not small either. All these large purchases and expensive plans seem to add up to more money going out than is coming in. Our spending choices are now adding to our underfunding problems...

### **MISTAKE #4: Compensation**

The single largest expense any of us have is most likely compensation. Often we were stylists or therapists ourselves and we wanted to give what we always dreamed of getting, the best pay at the best place in town. Our generosity turns out to be our biggest liability. Often the cost of running a salon spa BEFORE anyone takes a penny home at all is about 65%, so that leaves 35% to be SPLIT between your professionals, support staff, management and yourself (that's about 9% each). If a

single group of these four were to get more than 9%, let's say 50%... how would you ever make anything for yourself? The answer? You wouldn't. It's simple math.

If your staff happen to be bringing clients to you, that's another story. But if you are supplying all the clients, it's impossible to compensate that way and see a penny for yourself. The inability to overcome this hurdle is what has led to thousands of salon spas closing their doors over the last couple years. Don't become the next one to do so, get help and fix your compensation now!

### **MISTAKE #5: UnProfitable Products**

Looking at the above lesson, it's silly that most owners (the ones still around) can see that overpaying staff doesn't work, but then make the same mistake and overpay for products. If you pay 50% for product, then 5% to ship it to you, 5% on processing charges, 10% commission PLUS it's share of rent for the space it takes up plus staff pay to answer questions about it and ring it up... you're left with practically nothing. Then what do you have to do with your "profit"? Buy more inventory. It's ridiculous!

Find a line like ours (Alexandra) that is highly exclusive, offers up to a TRIPLE markup (so more pay for you AND more commission for your staff at the same time), works wonders, is incredibly high quality and clients (as well as staff) LOVE the results... and you're all set. Products (especially skincare) can be a hidden profit center that nearly every competitor of yours is overlooking. Most places even advertise for the product companies by highlighting their product instead of themselves in their ads! Instead of having a low-markup line that is a cash-flow problem and huge expense, find one that makes you instant profit and gives you another advantage over everyone else.

### **MISTAKE #6: Poor Location**

It may seem silly mentioning it, but sometimes the obvious needs repeating. Ask any realtor what's most important and they'll say... "location, location, location." This applies to businesses as well as homes too.

Location affects so much of your business. Do you have exposure to 50,000 drive by cars daily? Is there any foot traffic? Do the people around you want/need a salon spa? Where's the nearest competition? How much will you need to spend advertising to let people know you're here? All these things are location based. Before opening or expanding, do your research.

### **MISTAKE #7: STAFF**

A very hard lesson to learn is when NOT to hire. You've probably experienced some tough times and were in desperate need of staff. For us it was when we were operating our mall salon & spa and had to cover 80 hours/week. We couldn't take turning away clients so would hire out of desperation. Another example is when owners will hire staff thinking they will bring clients with them.

The problem is we hire anyone with a pulse out of desperation, it's often the wrong person. Just because they're available doesn't mean they're a good match for your environment. Due to making this mistake ourselves, we've had to fire a receptionist for stealing staff's tips, and staff for stealing our clients' private information (phone numbers). We've had to fire people for showing up drunk and/or not showing up at all. We've fired people who would bring the whole place down with their attitude and people who would fight over clients... wouldn't it be easier to NOT have hired these bad apples in the first place?

Learn the lesson and learn how to interview properly (we have a series of questions online to guide you in this process). Check references. Orient your staff to your way of doing business. Teach them your protocols and expectations. Spend time and money on them training them. Invest in them just like you would yourself. Empower them. Because when you lead your staff to stardom, they will shine. THIS is why it's important to hire the right people.

## **MISTAKE #8: Leaving MONEY on the table! (this is HUGE)**

Although there are a *ton* of things you can do via your systems for your salon spa, such as:

- Front desk systems (how you answer our phones, if you answer our phones)
- Client systems i.e. recommending upsells and add-ons by staff (once people have decided to buy and are in "spending mode" it's very easy to add on items, why do you think the checkout lanes are filled with goodies at the grocery store)
- Consultations (extremely important)
- need-based treatment programs

...I'm going to focus on what I call the "3 Golden R's." They are:

1. Retail
2. Rescheduling and
3. Referrals (which means training your staff).

All this really is just good customer service. Clients are silently begging to be led. They come to us with a problem, a concern, and ask us for our professional help. What do we do? More often than not we sit in shock scared to death to "sell" anything because we don't want to be "pushy." Well, what about being rude?! Because that's what we're being by not answering their questions. How would you feel if you went to a doctor, laid out your problem and instead of letting you know what you needed, his only response was "O.K., thanks, hope to see you again."

And honesty, we don't really sell anything. We simply answer our clients questions. "What will help my acne? What will get rid of my wrinkles? How do I look more beautiful? How can I be stress free?" Well.... Tell them! Once you do a thorough consultation and understand your clients concerns, don't leave them hanging. ...let your clients know how often (rescheduling) they need to come see you. Or better yet setup a treatment plan for them. If they're here just to look more beautiful let them know what else they can do to look and feel better about themselves. And, naturally, you can't fix all their concerns in an hour visit; they have to do their part at home (retail)... Is this making sense?

And the third Golden R is Referrals. Are we asking for them? I mean consistently! Is there a protocol setup, training that takes place? Do staff practice it so it's natural? A system that consistently asks for referrals will grow your business like wildfire. Online at SalonSpaOwner.com we show you how to do it yourself (as an owner) so you don't have to rely on your staff 100% of the time for this critical part of your businesses growth.

## **MISTAKE #9: Ignoring the gold mine in your own back yard**

I'm sure you've heard before "it's MUCH easier [and cheaper] to get an old client back than a new client in." It's TRUE, but nearly all of us forget about it! We're so busy looking for new clients we often overlook our existing ones. Marketing to your "back-end" clients is Critical to your success and all it takes is setting up a few simple systems to do so.

Think about it for a minute. Who do you buy from? Why do you buy? For most of us, we buy from people we know... not only do we know them, but we like them and trust them. You certainly wouldn't buy from someone you don't like or trust. Now if you've got someone who not only knows, likes and trusts you BUT also has already bought from you and knows what a great experience that is, wouldn't getting them back in be soooo easy? It is... all you have to do is ask them.

We have a series of emails and cards that go out automatically for dirt cheap (CardEmergency.com) that not only keeps us at the top of our clients mind (and "top of the mind awareness" is great for your brand and referrals) but the cards also further build our relationship with our clients, making sure they're not lured away by some discount chain franchise or "deal of the day" website. Usually they say if you haven't seen a client in 6 months they're gone forever, but with our systems we get people back in to us years later because of the relationship we've built with them.

## **MISTAKE #10: Poor Advertising**

Oh boy, where to start with advertising. You should have gotten our "Salon & Spa Marketing Manifesto" last week that went into how most of us commit "random acts of marketing," guessing and hoping something will work. Really, it's how we craft our ads that is most important. Once that's done you just track results to find the best advertising channel, whether it be print, radio, TV or internet. Note: there is no perfect advertising medium, so stop looking for one. Stop copying what others do as well, it just dilutes your message. And for heavens sake, never trust an ad rep, they are commission salesmen, not advertising experts.

TIP: do yourself a favor and setup a marketing calendar. Lay out everything you're going to do, when, for what reason and write it down. If nothing else it'll give you a "heads up" and help you get things lined up in advance, keeping you on schedule. For us, we have emails that go out every 2 weeks, facebook we update daily, texting is twice/month, banner/signage is bi-monthly, television is daily (and cheap! Ask me how), with cards going out monthly (automatically, set it and forget it), missing client cards quarterly, birthday cards weekly and direct mail pieces bi-monthly... ALL for less than \$3k/month. Compare that to a single \$2,000.00 mail piece or coupon magazine that most owners use monthly that brings in maybe 6 clients on a good day. Imagine what kind of advantage you'd have by being out there daily instead of just once.

## **MISTAKE #11: Poor use of your time...**

Most of us work **IN** our business instead of **ON** it... but it goes deeper than just a poor use of our time. We waste our time doing things we don't enjoy (and are no good at). Even worse, we beat ourselves up, trying to do these things we hate doing (which is probably why we're lousy doing it). Why waste our time?

Do you know that 20% of your actions will produce 80% of your results? That's because we only enjoy (i.e. are good at) 20% of what we do. The other 80% is spent doing things we don't like doing.

Do you want to be more productive? Do what you're good at 100% of the time! I simply call this "focus." Focus on what you're good at, then **DELEGATE** the stuff you hate doing (and that sucks up your time and energy) to someone who loves to do it (we even bartered to get our bookkeeper). It's soooo nice to pass that on to someone who's an expert and enjoys it.

Now that you're only going to be doing what you're really outstanding at, set a goal with a **DEADLINE** (deadlines are mandatory if you want something to get done). Then actually **SCHEDULE** time to work on your goal. Once met (and if you are doing what you love, at scheduled time, working towards a goal on a certain deadline... it **WILL** happen) you can then celebrate how far you've come. Celebrating (and being in a mindset of gratitude of your baby steps) equals progress, and progress is the key to happiness.

## **MISTAKE #12: Negative (non-entrepreneur) Peers**

Did you know that your income will be the average of your five closest friends? The type of people you surround yourself with is a huge part of your success. Why? One word, and it's *Mindset*.

How likely would you be to get things done if you hung out with nay-sayers who "doom and gloom" all the time? You'd never take any risks. What about "energy-vampires" who constantly suck the life out of you and your spa? **AVOID** people like this at all costs. Instead, see what magic happens when you surround yourself with other positive "can do" successful Salon & Spa owners.

Think how easy things would be if you were constantly chatting with others who have been there and could help out. They're making big bucks and don't mind showing you the way as well. Wouldn't that be worth its weight in gold?

Add in the fact that by setting higher standards for yourself since you raised the bar to mirror your peers, and you will begin to live up to them. Toss in opportunities to mastermind with your peers, have an online support group and accountability partner via our forum and some coaching... how could you fail? This is what we so desperately needed when we started out, so this is what we created online for you at [SalonSpaOwner.com](http://SalonSpaOwner.com).

## **MISTAKE #13: Not Investing In Yourself**

Your grandma knew it, your parents knew it, you know it, heck, even your kids know it most likely from you telling it to them... and that's "if you don't have an education, you don't have anything." Yet when do we invest in our own education?

How many of you know an owner who invested \$10,000.00 - \$50,000.00 into something (buildout, a franchise/brand name, hydrotherapy, ipl, whatever) thinking it'll bring them a ton of clients waving money begging to have you take it just because it was on Oprah. Obviously, that doesn't happen. Our doctor just did this to the tune of \$125,000.00 and instead of learning his lesson (client demand isn't created by physical things, but personal) he went out and spent EVEN MORE on a "fraxel laser" (...since the salesman said it works better than ipl). Do you think he would've been better off investing in his education about marketing and advertising instead? As it is he's investing HUGE sums of money into the school of hard Knox and not even learning the lesson (*isn't this what we do with our advertising efforts as well?*).

Imagine if he found out what other medspa owners are doing who are making a killing and educated himself by copying them? What do you think would be a better use of his time and money?

We fall into a trap of looking at things as expenses instead of investments. We look at the cost and try to cut, cut, cut instead of the value we get. Look at the value of investing into your own knowledge. I mentored with the nation's top television ad guru for a year and it's gotten me a ton of clients. I copied what other social media experts are doing and we get clients DAILY from Facebook. I masterminded with a peer group of millionaires (at a HUGE investment on my part) and it has turned around the way I do business. I was open to listening, to learning, to setting my ego aside, and it has paid off in spades (our personal income more than DOUBLED the year we began investing in ourselves).

## **TWO (2) Economy-Specific BONUS Mistakes~!**

### **BONUS MISTAKE #1: Price wars**

If you're doing business today, you're feeling the crunch of the recession. Are you finding clients more scarce? Are they spending less? Are there fewer of them? Are they more cautious with their spending? Are you considering dropping your prices like many others are? Be careful, it can be a fatal move.

By participating in price wars, everyone loses. The client loses because they get inferior service. The loser of the price war sure doesn't win since they go out of business, but neither does the winner since they're probably not able to sustain such deep discounts.

Worse yet, in a price war you're basically saying you're a *commodity*. And with commodities the only way to differentiate them is by price. And this means you also lose your unique selling proposition.

To avoid this fatal game, simply don't play it. Instead keep your uniqueness and try **ADDING VALUE**. Offer bonuses, upgrades, extras if they pay the **FULL** regular price for an item.

## **BONUS MISTAKE #2: Diluting your brand**

Another mistake when times are hard (and when they're not) is trying to get a bigger piece of the pie. People really don't want to shop only at one place. By trying to be everything to everyone simply for greed (let's be honest here) you devalue what your specialty really is. For example, in our town we have "Face Logic: now offering massages." What sense does that make? I've also seen "Men's fitness, now accepting ladies"... huh? What?

You're unique for a reason and it's your identity, your brand, the reason why you can charge what you do. Your uniqueness is why people come to you in the first place. Don't mess with it by diluting your message. The only thing your competition can't copy is YOU.

### **Are you ready to be more Profitable?**

#### **Here's your chance to try us Risk-Free for 21 days...**

You're now aware of what you need to do to make your salon spa more profitable, all you have to do is take action~! We'd like to help (for free). Our online family of salon, spa and medspa owners is waiting for you to join us. I'll pick up the first 21 days for you, if you just cover the \$7 access fee. Get access to everything, find new peers, mastermind marketing ideas and setup an automated system or two to pay for the whole year, all on me. Here's your link, <http://www.TrySSO.com> because you deserve a more successful business.

"Who loves ya?"

-Christopher & Zhenya

[www.SalonSpaOwner.com](http://www.SalonSpaOwner.com)

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