

## Increasing profit

Without profit a business will not grow and it is important not to become complacent. It is important therefore to look at all the different methods of increasing the profit the salon makes.

### **There are several methods to use:**

- 1 Set targets
- 2 Cut costs
- 3 Expand your range of treatments
- 4 Increase prices
- 5 Sell more
- 6 Increase retail sales

### **Setting targets**

Targets must be set for each member of staff in relation to their productivity and their professional development. The productivity should be based on previous achievement and will be divided into retail sales and treatment sales. Their professional development should relate to the business plans and should be devised to meet the needs and requirements of the clientele, the business and their own personal wishes. These targets may then be reviewed regularly and increased or adapted as required.

### **Cutting costs**

Shop around and find a supplier of the products and equipment you need, whose prices are competitive. One problem that may occur, however, is that the products, if too cheap, may be inferior to those you are already using. To receive large discounts you may have to buy in such large quantities, that you are over-stocked and tying up capital, as well as risking having stock, which may be out of date before you have had the opportunity to use it. If, however, the products are of an acceptable quality then this may be a successful way to increase profits. Certain suppliers will offer a reduction on price if you deal exclusively with them. The advantages of this are:

- Less work for the manager or stock controller in ordering goods.
- Establishment of a good working relationship with a supplier who will advise you, of new trends and special offers as your business success is also beneficial to them.

The disadvantage is that you may be offering a limited range of products to your clients and providing them with less choice. Try and use a supplier who will deliver products promptly so that you can maintain a tight control on stock by ordering only when you need to and not holding large amounts of stock which ties up capital that could be used elsewhere.

Reduce staff costs by employing part-time members of staff and ensuring that the maximum number, are available at the busy times and the minimum number required at the quiet times. The salon's opening times could be altered to suit the clientele. For instance, if the largest percentage of clientele is the working woman it may be beneficial to have several late nights and close for several mornings when business is slow. This will save money on fixed costs, which have to be paid whether business is good or bad.

# susancreddy

spa & beauty therapy in practice

---

Assess other costs such as advertising costs, reduce these by using different forms of advertising that may not be as costly. Assess the popular treatments and sell equipment that is not being used and reduce the price of products that are not selling.

## **Increasing the treatment range**

Introducing new treatments will increase profits if there is a demand for that particular treatment. It is important, therefore, to assess the market first of all by approaching your existing clientele. If there is a positive response then offer reductions on the new treatment if a course is booked in advance. In this way revenue from advance bookings may pay for the new treatment or equipment.

The manufacturer may allow you to lease the equipment so that there is not a large capital outlay, with an option to renew the lease, or buy outright, if you decide that the treatment is successful.

By increasing the treatment range you may need to employ more staff or extend the business premises and the added costs may not be recouped very easily creating a cash flow problem, so this course of action must be seriously considered.

## **Increasing prices**

Prices charged for treatments or products should be set initially at a level that will give you the highest profit possible. By increasing prices you run the risk of losing some clients but there are also those clients who believe that by paying a higher price for a service then it is of a higher quality and a more expensive product must be better for them and worth the extra cost. Therefore the increase in profits may more than compensate for any clients lost.

There is no ideal way of setting a price for services or products but there are certain considerations:

### ***The market***

The price you set is limited by your market, you may only charge what the potential client is willing to pay. It is important, therefore, to set a price in relation to the clientele you are hoping to attract.

### ***Penetration pricing***

This may be used to gain a foothold in the market by pricing your treatments and products lower than your competitors, thus gaining business that hopefully you will maintain when the price eventually rises. The drawback to this strategy is that some consumers may think that the service you offer is inferior.

### ***The product/treatment***

If you have a product or new treatment which has a genuine advantage and is not provided by any other business then you can charge the highest price possible. Paying a high price also appeals to clients with high incomes or those who like to buy the most expensive products or treatments and be seen to be doing so. This is known as price skimming, by aiming at the cream at the top end of the market.

### ***The competition***

The services you offer and the products you sell should be looked at in relation to your competitors if their business is the same. You may be able to justify charging a higher price if your services or products are superior to those of your competitors. The areas for consideration are:

- The quality of the service you provide.
- The salon image.
- The availability of products and services.

# susancreddy

spa & beauty therapy in practice

---

- The reputation of your business.
- The standard of the employees.
- The additionalities such as drinks and snacks

## **Price discrimination**

Providing a treatment at different prices, this could be time based offering lower prices at quiet times to encourage sales, or market based, discounting prices for particular consumers, for example, senior citizens or students.

Your costs When deciding on a price you have to take into consideration your:

- Fixed costs.
- Variable costs.
- The profit you want to make.

Fixed costs are those, which you have to pay whether you are actually carrying out treatments or not.

So when you open up for business these are expenses which will always have to be met:

- Rent and rates
- Heating and lighting
- Telephone
- Interest charges
- Advertising
- Insurance
- Accountancy fees
- Depreciation
- Wages

Variable costs are the cost of the materials used for carrying out the treatment and these will vary with each treatment or the number of treatments carried out.

Profit is the percentage to be added to the variable and fixed costs to set your price.

## **Selling more**

Employ staff with relevant sales experience and include this in the person specification so that you will attract people with previous experience.

Encourage staff to sell more by offering them a good rate of commission.

Provide everyone, including receptionists with training in sales techniques and maintain their product knowledge.

Provide selling aids such as testers and free samples, often provided by the manufacturer. Clients like to try out before they buy particularly when choosing colours.



# susancressy

spa & beauty therapy in practice

---

## **Increasing retail sales**

Ensure that there is always sufficient stock for retail, particularly the more popular lines. Learn how to recognise buying signals and respond to them. Explain the features and benefits in addition to any unique selling points. Advertise and display retail products, occasionally having special offers to promote sales.