



Braving the Financial Jungle

SpaFinder Experiential
Learning Event 2008

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Wynne Business

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Effective Financial Management

- Performance Benchmarking & Profit Formulas
- Financial Strategies



What is Success?

- You are getting paid for your contribution to your business, whether as manager or tech.
- Your business can produce a profit on its sales.
- You are growing your staff and your clients continually.





Income Statement Layout

Service Sales	\$
<u>Retail Sales</u>	\$
Total Sales	\$
<u>Cost of Goods Sold</u>	\$ %
Gross Profit	\$ %
<u>Expenses</u>	\$ %
Net Profit	\$ %



Tracking Revenue



- Service Revenue – by Department
- Retail Revenue – by Department
- Other Revenue – gift certificate
sales, food sales



Chart of Accounts detail



- Service Sales
 - Skincare & Waxing
 - Massage & Body
 - Nails
 - Hair
 - Makeup
 - Medical
 - Other
- and
- Retail Sales



Revenues

Sales Returns and Allowances	\$ (576.00)	0%
Service Sales - Esthetic	\$ 382,167.29	17%
Service Sales - Hair	\$ 359,510.50	16%
Service Sales - Makeup	\$ 14,256.00	1%
Service Sales - Massage	\$ 506,761.50	22%
Service Sales - Medical	\$ 64,206.27	3%
Service Sales - Nail	\$ 280,730.60	12%
Total Service Sales	\$ 1,607,056.16	70%

Retail - Esthetics	\$ 165,422.00	7%
Retail - Hair	\$ 47,815.00	2%
Retail - Makeup	\$ 24,991.00	1%
Retail - Massage	\$ 18,396.00	1%
Retail - Medical	\$ 12,428.00	1%
Retail - Nail	\$ 27,884.00	1%
Retail - Boutique	\$ 120,203.66	5%
Total Retail Sales	\$ 296,936.00	13%

Sales- Gift C.	\$ 267,129.83	12%
Events Income	\$ 5,892.84	0%
Interest Income		0%
Sales - Tax Discounts	\$ -	0%
Other Income	\$ 39.91	0%

Total Revenues	\$ 2,297,258.40	100
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Tracking Revenue



Recommended Retail to *Total Sales* Ratios in a Day Spa

- Hair Products
 - 10-15%
 - Cosmetics
 - 40-100%
- Skincare Products
 - 35-50 %
 - Nails
 - 5-20%
- Massage/Body
 - Gift
 - 2-5%
 - 1-5%



Tracking Revenue - Typical Metrics

- Average ticket for spa or salon
 - $\text{Service \$} + \text{Retail \$} / \text{number of clients}$
- Average ticket for operator
- \$ per hour per station





Tracking Revenue - *cont'd*



- \$ sales per square foot
 - $\text{Annual Retail \$} + \text{Svc \$} / \text{total square feet}$
- Utilization/Productivity rate
 - $\text{\# of appts avail} / \text{\# of appts sold}$
- Retention vs Request rates
- Capture rate



Tracking Expenses



- Labor – Your Largest Expense
 - Technical Staff (35%)
 - Hourly Staff (8%)
 - Management/Salaried Staff (4%)
 - Taxes & Benefits (8%)



Labor & inventory chart of accounts



- Labor Expense
 - Skincare & Waxing
 - Massage & Body
 - Nails
 - Hair
 - Makeup
 - Other
- Inventory Expense
 - Retail
 - Back bar



Cost of Goods Sold

COS - Concierges	\$	157,581.87	7%
COS - Esthetic Department	\$	147,106.83	6%
COS - Hair Department	\$	134,205.28	6%
COS - Makeup Department	\$	9,702.68	0%
COS - Massage Department	\$	164,003.28	7%
COS - Medical Department	\$	12,507.27	1%
COS - Nail Department	\$	92,622.19	4%
Total Cost of Sales Labor	\$	717,729.40	31%

Supplies - Esthetics	\$	30,573.38	1%
Supplies - Hair	\$	32,355.95	1%
Supplies - Makeup	\$	285.12	0%
Supplies - Massage	\$	15,202.85	1%
Supplies - Medical	\$	46,002.11	2%
Supplies - Nail	\$	19,651.14	1%
Supplies - Boutique	\$	57,697.76	3%
Total Cost of Sales Product	\$	144,070.55	6%

Total Cost of Sales	\$	861,799.95	38%
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Gross Profit	\$	1,434,497.33	62%
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Departmental Analysis



Esthetic Dept Revenue	\$ 547,589.29	
Labor - Esthetic Department	\$ 147,106.83	27%
Supplies - Esthetics	\$ 66,727.73	
Esthetic Dept Gross Profit	\$ 333,754.73	61%
Service Sales - Esthetic	\$ 382,167.29	
Service Labor - Esthetic	\$ 122,293.53	
Supplies - Esthetics	\$ 30,573.38	
Service Gross Profit - Esthetics	\$ 229,300.37	60%
Retail Sales - Esthetics	\$ 165,422.00	
Retail Commission - Esthetics	\$ 24,813.30	
COGS Retail - Esthetics	\$ 49,626.60	
Retail Gross Profit - Esthetics	\$ 90,982.10	55%



Tracking Expenses – cont'd

- Professional inventory costs, by department

- Skincare 5-8%
- Nails 4%
- Massage/Body 1 - 2%
- Makeup 1%
- Hair 6-7%



Other Expenses

- Rent, Utilities & Debt Service
- Advertising & Marketing
- Cleaning, Repairs & Maintenance
- Training & Education
- **PROFIT!**



Financial Performance Strategies

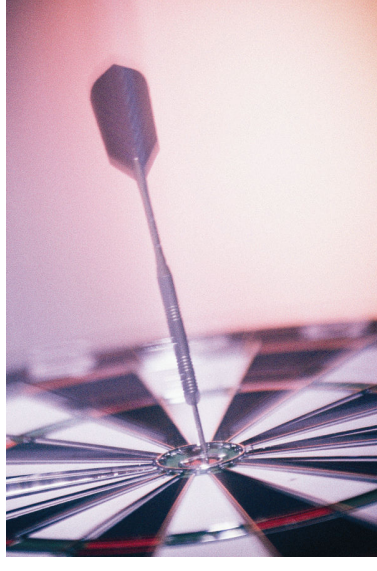


- Does your compensation plan drive the right behaviors?
- Are your ratios aligned with benchmarks?
- Does your menu reflect an ability to upsell and increase average tickets?
- Are your performance appraisals tied to financial behaviors?



Performance Strategies – *cont'd*

- Is each workstation staffed for maximum productivity?
- Do operating hours reflect demand?
- Is there an inventory management program in place?
- Is there a retail sales program in place?





Action planning

- Identify under-performing areas
- Develop an action plan
- Pick a few key focus points
- Both revenue and expense-side strategies
- Involve the staff



Action Planning - *cont'd*

- Are you good at the basics?
- Do you have the right people on your team?
- Prioritizing



Braving the Financial Jungle



**THANK YOU FOR YOUR
ATTENTION!**

**A copy of this presentation will be
posted on www.wynnebusiness.com**

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