



Starting Your Own Salon Business Course Manual



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Introduction – Your Own Business

Many beauty, holistic and nail professionals think running a business is easy after they have worked for somebody else. The phone rings all day, appointments fill up the book, the clients pay and you make a healthy profit.

What goes unnoticed is the many hours of administration and paperwork, the financial hardships and the sleepless nights spent worrying about staff and other problems.

Running a Business

Running a business can be a fulfilling experience. A successful business can provide the chance to earn a good living and the freedom to practise the skills you have been trained in as you believe they should be practised.

Starting your own business will make a massive change to your life. In order to be prepared for this, you should learn as much as possible about running a business before you start your own.

Business Skills

To have a successful business, you will need to have the necessary skills to provide the high quality services that clients demand at a price which will produce a reasonable return. Like any other business, running a beauty, holistic or nail business requires skills which are wide ranging. You will need to learn new skills in order to manage a successful business. Being a good therapist or technician is not enough in itself to guarantee that your business will be successful.

Business Training

Setting up a beauty, holistic or nail business can be relatively easy. A newly qualified

therapist or technician can begin trading with as little a wax pot, whilst a fully equipped salon can be established for less than £10,000. Given the low investment required, the returns are good, very few restrictions apply and cash flow, which is the most common cause of business failures, is reliable. With these conditions, most businesses should be able to survive.

You would not attempt an electrolysis treatment without proper training and yet some business owners have no prior business or management training before setting up their businesses.

Introduction to the Course

This course is suitable for therapists and technicians who have considered starting their own business. It will take you through the steps needed to start a business of your own and teach you how to resolve common issues which you may encounter. If you are already running your own business, it will enable you to examine the way it is performing and show you how improvements can be made through good personnel management, marketing and financial management.

Is Self Employment For You?

Working for yourself is very different from working for an employer. In any organisation there are three types of people:

People who make things happen.

People who watch things happen.

People who ask what happened.

Good managers come from the first category of people who make things happen; that is what business management is all about.

Motivation

Maslow's Hierarchy of Needs

The American psychologist Abraham Maslow developed a theory of motivation when he suggested that human motivation is based upon a hierarchy of psychological

needs.

1. Physiological needs: food, water, sunlight and other essential needs for survival.
2. Safety Needs: shelter, security, freedom from physical threat.
3. Love needs: affection, relationships, giving and receiving love.
4. Esteem needs: recognition, prestige, self-importance.
5. Self-actualization needs: development of capability to the fullest potential.
6. Freedom of enquiry and expression needs: free speech, justice, equality.
7. Exploration needs: to gain an understanding of the outside world, to experiment and question.

Motivators

In this list of needs, Maslow states that a need is a motivator if it is not satisfied.

People who are starving have no regard for justice and fairness, the only thing that is important to them is food for survival. When you have eaten, food is no longer a motivator because that need has been satisfied.

The first two sets of needs in the list are required for human existence, and we would die without them.

Love & Self Esteem

Without love and self-esteem, we feel inadequate, withdrawn, and inferior. Tests done on monkeys which were removed from their mothers have demonstrated that brain development is stunted when there is a lack of physical contact, or love, from the mother. Love and self-esteem can be regarded as physiological needs and are positioned as third and fourth in Maslow's hierarchy.

Self Actualisation

Self-actualisation, which is the fifth of Maslow's needs, is the one that is most.

relevant to a business manager because most people have already satisfied needs. 1-4 outside the working environment. One of the major reasons that people work is to satisfy this particular need of self-actualisation. Most people have a strong identification with their jobs and are often described as filling that role, ie. they are a nurse or a teacher. Most people can identify their positions in the hierarchy at this level.

Freedom of Enquiry and Exploration Needs

The last two needs on Maslow's list (freedom of enquiry and expression of needs and exploration needs) are on a higher psychological plane and can be identified with politicians, trade unionists, teachers, scientists, and researchers. These types of people are often regarded as difficult to manage because their efforts tend to be channelled in the direction in which they feel is right; this is quite often not the direction in which the establishment want.

Fulfilling Needs

Most beauty, holistic and nail business owners say that the higher earning potential was what attracted them to start their own businesses. Money fulfils levels 1 & 2 of Maslow's hierarchy. Once established, however, many owners will readily admit that the sense of achievement and prestige that running a business brings is an important part of their rewards. The self actualisation or status which comes from being a business owner makes all the extra work seem worthwhile, and self actualisation is at level 5 of Maslow's hierarchy. Consequently, although most business owners started in business to secure their position at level 2 in the hierarchy, the true value comes from satisfying motivational needs at level 5. Very few people who have experienced being their own boss will ever want to work for anybody else again - even for more money.

The Mission

Exploring your own motivational situation in this way should strengthen your resolve to open a business of your own. Next you may ask yourself what you want to achieve.

One of the most common failings in new business set ups is the absence of a clear vision or understanding of where the entrepreneur is trying to get to. Without something to aim for it is impossible to say whether you are successful or not. Is your aim to make lots of money or to have the satisfaction that comes from creating and building something for yourself and being in control of your own destiny?

The reason most people start in business is because they believe they can make a profit. A business would not last very long if that was not the number one objective. This is known in marketing terms as the corporate objective and is usually stated by large companies as a Mission Statement.

Mission Statement

Most small businesses do not operate in quite the same way and usually there is no stated mission statement even though everyone knows what the business is all about. However, it is important that you spend time to formulate what the aims of your business actually are.

For example:

- To make sure that at the end of the year I can pay all my debts without running up an overdraft, whilst having made a modest income and enjoying myself.

Before going any further, write out your own mission statement.

Planning Your Business

Auditing

The first step along the business planning process is to examine the needs of your

customers and your own capabilities. This process is known as auditing.

Audits seek to answer fundamental questions such as:

What are the demands of the customers?

Do I have the necessary equipment?

What is the competition like?

What is the environment like?

Do I have the necessary skills?

Am I competitive on costs?

Is the recession really over?

Large companies employ people to carry out audits but the best people to carry out these audits are the owners and managers who are most closely acquainted with the true picture.

SWOT Analysis

The most effective and simple way to carry out the external and internal audits is to use a SWOT analysis.

- Strengths
- Weaknesses
- Opportunities
- Threats
-

The SWOT analysis is the beginning of the planning process.

When doing a SWOT analysis for the first time, write down anything that comes into your head. Think optimistically when it comes to writing down strengths. Equally, when thinking about your weaknesses, be as pessimistic as possible. Once you've written down as many strengths and weaknesses as you can think of, review it a number of times, crossing out the most unlikely ones.

Writing down the strengths, weaknesses, opportunities and threats that affect your business will help you to focus on facts which need to be considered for the business planning process. Although you may already be aware of all these individual features that affect your business, it is possible that by grouping them together in this form, information can emerge which you have not previously recognised.

There are four basic ways to look at the information from the SWOT:

1. Look for a link between strengths and opportunities.
2. Look for a link between weaknesses and threats.
3. Examine what can be done to eliminate weaknesses.
4. Examine what can be done to exploit strengths.

The SWOT analysis is a very simple but powerful tool and is not only limited to new business start ups. Nothing ever stays still in the business world and the SWOT you do today will be very different in six months time.

Action Plan

The SWOT gives the external picture of the market place and the internal picture of the business.

The SWOT tells you where you are at the moment; a bit like pointing to a position on a map. What it does not do is tell you where to go or how to get there.

This is where the importance of the mission statement becomes apparent. Just as the SWOT shows the position on the map, the mission statement defines where you want to get to.

If a business owner does not have a mission statement or a clear understanding of what they want to achieve, they will be unable to proceed to the next stage which is to devise a business strategy.

Strategy

Strategy is the way you achieve your objectives.

The child knows that there are sweets in the cupboard above the sink, but they are too small to reach them and so they drag up a chair which they stand on to get them.

The objective is to reach the sweets.

The SWOT reveals a weakness which prevents the child from reaching the sweets – they are not tall enough.

The strategy is to find some way of overcoming the weakness - find a chair to stand on. Business management is not as simple as this and there may be several ways or strategies through which you can achieve your objectives.

Types of Businesses

Choosing a Business Structure

You will need to consider which type of business structure will suit you best; will it be a large country house health farm or the back bedroom of your own house?

The business structure you choose should be the one that best fits your mission statement and you may already have made some assumptions which feature in your SWOT analysis. Although you may dream about establishing an international chain of prestige salons visited by the rich and famous, a more modest approach is more realistic. It is better to be realistic in the planning stage of your business as expansion at a later date is preferable to supporting large unnecessary overheads to begin with.

Home Based

A lot of successful large salon owners start in business by being home based. Most therapists and technicians would regard working from home as a way to supplement their other household income rather than a true business venture in its own right.

However, given the right location, there is no reason why a home based therapy room should not generate a healthy turnover.

The biggest advantage of working from home is that the costs are very low. Many therapists and technicians convert a spare bedroom into a therapy area, furnishing it with little more than a portable couch, wax pot, spray tan tent etc. If clients fail to turn

up for appointments then household chores can be done instead, making use of idle time. Clients are able to call you at any time, knowing that you are always likely to be at home, even outside normal salon hours. Normal business overheads such as heating, lighting, telephone, etc would all have to be paid for anyway as part of the normal household bills.

The disadvantages of working from home tend to show once the business has become successful. What was once an advantage to be available to your clients at any time of the day can begin to invade your private life, which becomes less and less private as more and more people demand your services. Neighbours may complain about the number of cars parking on the street and the council may object to you running a business in a residential area.

Once a home based business has grown to the point where the accommodation is too small for the workload, many therapists and technicians look for alternatives such as leased shop premises. Of those therapists who started in this way, very few regret the time spent building up a business from home before moving on to a professional premises. The business skills they learned and the new clients which they gained whilst working from home are a valuable asset to take to larger premises.

Mobile

For those newly qualified therapists and technicians who still live at home with parents or in accommodation which does not allow them to set up a home based salon, going mobile is one option.

The mobile therapist or technician has the advantage of not having to pay the large overheads associated with business premises which for most salon owners is the largest expense.

Mobile therapists and technicians face a whole host of disadvantages:

A reliable car is required which is big enough for all the equipment needed to carry

out the treatments being offered. Car insurance is often higher than usual.

Time spent travelling is unproductive. This is worse in rural areas.

Time spent setting up equipment at each appointment is wasted time.

Clients may break appointments, causing more disruption to the working day than it would in a salon.

Clients' houses may not be suitable for all treatments.

The client's treatment may be interrupted by their telephone or small children, making appointments longer than usual.

Portable equipment is often more expensive.

Your clients may have problems in being able to contact you when you are with other clients.

Many mobile therapists and technicians work in order to supplement their major source of income rather than rely on it as their only means of support. Of those who start off as full time mobile therapists and technicians, most grow tired of the many disadvantages and look for suitable fixed accommodation. Going mobile is a great introduction to being self employed but anyone thinking of setting up a full time mobile business should talk to other mobile therapists or technicians before making a decision.

Self Employed in a Salon

In some salons, you are able to work on a self employed basis. There are benefits to both parties with this arrangement but the balance normally lies in favour of the salon owner.

The self employed therapist or technician is responsible for all the paperwork and deductions required by law, such as National Insurance premiums, Pay As You Earn (income tax), sickness benefit, etc. The salon owner does not provide holiday and sickness pay or National Insurance contributions which are a significant overhead.

The amount of money a self employed therapist or technician earns will be directly proportionate to the amount of work they have done. Additionally, they have the benefit of being able to control their own working hours. Self employment can give a sense of self actualisation, satisfying one of the higher levels of Maslow's hierarchy. Therefore, even though a self-employed therapist or technician may be earning exactly the same amount of money as they would being employed, their motivation may be significantly higher. A highly motivated therapist or technician will usually work harder for longer hours which will generate more money for themselves and for the salon owner.

Self employment can rightly be considered to be a stepping stone between working as an employee and being in business on your own. The risks are not high but neither are the rewards. Many therapists and technicians are happy to work under these conditions and continue to do so until retirement. For those who do go on to own a salon, the experience gained whilst being self employed can prove invaluable. Are you self-employed or employed?

There can be confusion surrounding the difference between being employed and self-employed. It is important that this is given thorough consideration, as it could result in a large bill if your tax affairs are investigated and it is found that you have not been paying the correct amount. The following guidelines are taken from the HMRC website.

In order to answer this question it is necessary to determine whether the person works under a contract of service (employees) or under a contract for services (self employed, independent contractor). For tax and National Insurance Contributions purposes, there is no statutory definition of a contract of service or of a contract for services. What the parties call their relationship, or what they consider it to be, is not conclusive. It is the reality of the relationship that matters.

In order to determine the nature of a contract, it is necessary to apply common law principles. The courts have, over the years, laid down some factors and tests that are relevant, which is included in the overview below.

As a general guide as to whether a worker is an employee or self-employed; if the

answer is 'Yes' to all of the following questions, then the worker is probably an employee:

- Do they have to do the work themselves?
- Can someone tell them at any time what to do, where to carry out the work or when and how to do it?
- Can they work a set amount of hours?
- Can someone move them from task to task?
- Are they paid by the hour, week, or month?
- Can they get overtime pay or bonus payment?

If the answer is 'Yes' to all of the following questions, it will usually mean that the worker is self-employed:

- Can they hire someone to do the work or engage helpers at their own expense?
- Do they risk their own money?
- Do they provide the main items of equipment they need to do their job, not just the small tools that many employees provide for themselves?
- Do they agree to do a job for a fixed price regardless of how long the job may take?
- Can they decide what work to do, how and when to do the work and where to provide the services?
- Do they regularly work for a number of different people?
- Do they have to correct unsatisfactory work in their own time and at their own expense?

Setting Up Your Own Salon

The decision to open a new salon or therapy centre will involve considerable consideration and planning. One of the most significant decisions is where to locate.

The location of a business will affect its ability to reach its customers. This can be seen when the price of retail and office property is compared. This is more expensive in London than in the rest of the country but the large population in London and other world capital cities means that a business located there will have access to more customers within the immediate geographical area than elsewhere.

Location

An understanding of your customers is vital for business success and the best location for a salon or therapy centre is one which is most accessible and convenient for them. Unfortunately, you will not usually have the luxury of being able to choose the ideal location due to constraints of money or availability. As the business environment is constantly changing, it could be that the ideal position one day will become a bad position the next.

For anybody planning to open a new salon or therapy centre or buying an existing one, then position is important and there are a number of considerations which should be made:

Is it close to where the highest concentration of your targeted segment of the market is?

What competition is in the same area?

How will you compare?

Is there adequate parking nearby or is public transport frequent and reliable?

Are there other shops and facilities nearby which your customers are likely to use?

Is access for wheelchairs possible?

Could your salon or therapy centre sign or billboard attract passing trade?

Is the area well lit at night and considered safe?

Are there other businesses in the area which you could collaborate with? (eg. hairdressers, wedding photographers, etc.)

This checklist will point you towards a general area where you will need to look for the best accommodation.

Town Centre Premises

For town centre premises, you will probably have to lease a suitable area. Floor level shop front properties with large display windows are expensive and as salons and therapy centres do not need to display stock, this type of property is best avoided. Those salons and therapy centres which do occupy shop fronts often blank out the windows with posters and products, the benefits of which are minimal. Some customers prefer the confidentiality and anonymity of discrete salons and therapy centres and would not like to be seen publicly entering a high profile shop front. For this reason, most salons and therapy centres utilise premises above street level or behind shop fronts as these are generally much cheaper and offer more discretion to their customers.

Commercial Property

The majority of commercial property is offered leasehold and it is certainly worth paying for professional legal and financial advice, preferably on two or three alternative properties, before attempting to negotiate a lease.

Selecting the right set of premises is important both from the financial and strategic point of view. Financially, it will represent the majority of your outgoings in the first vital few years in business. Strategically, you must be sure that you have security of tenure, so that you are not forced to re-locate in the near future.

Lease Negotiations

Whatever the terms and conditions of the lease you are first offered, there is always room for negotiation and the professional advice you take at this stage could assist you in obtaining a significant reduction. Market conditions change and so does the balance of power between buyers and sellers. Despite the market, the biggest

mistake to make is to appear too eager to reach a deal with a landlord. An un-leased and unoccupied property is not earning the landlord any rental so you should have the upper hand in negotiations.

Suitability of Premises

The following list of questions should assist you to make an honest and informed appraisal of the suitability of a business premises.

Is the location right?

Does the asking price and rent fit in with your business plan of cash flows and profits?

Is there an agreed formula for rent increases, or could you be faced with a massive increase at the end of the first term?

Who is responsible for the maintenance charges both internally and externally?

Is the size of the property right for you? Is it big enough to accommodate your planned growth within the first three years or so? Would a smaller place be just as suitable for a lower price?

Could you possibly find a suitable place to buy freehold instead?

How stable are other surrounding businesses? Could a new business open up next door which adversely affects yours?

Whilst it is unlikely that you will discover the perfect site, professional advice together with the checklist should help you to avoid making a bad decision.

Buying an Existing Business

Buying an existing business is a shortcut to obtaining a fully operational salon or therapy centre but it is very expensive and may not always turn out to be a good financial investment.

You will need to find out why a business is being sold. There are a number of possible reasons which would not arouse any suspicion to the buyer, but equally so, the reasons for sale may not always be quite what they seem.

Reasons For Selling a Business

Illness

In business, as in life as a whole, your health is your most precious asset. Serious illness is therefore a sad but valid reason for needing to sell a successful salon or therapy centre.

Relocation

A business owner may be faced with moving from the area. Providing that this is far enough away (over 50 miles say) from the area, then it is unlikely that existing clients will follow them.

Retirement

Few business owners treat retirement as a definite cut off point between working and not working. One of the advantages of running a business, especially towards the twilight of your career, is the opportunity to slow down gently. The salon owner may want to sell the business but retain the best clients for their own and treat them from their home. This will have a dramatic effect on the current sales of the business.

A Change in Career

The business owner may be thinking of staying within the industry but changing direction slightly by teaching, selling products, opening a new business or even starting a family. Any change in direction is unlikely to take place quickly and the best clients may be kept on for a while after the business is sold.

Whatever the reason, it is up to you as a potential buyer to check out the facts as best you can. Beware of any seller who is unwilling or unable to support their reasons for selling the business.

Valuing an Existing Business

There is no question that an existing business is an asset, but how can it be valued?

There are three main elements which together allow a valuation to be made.

- Profitability
- Valuation of Assets
- Goodwill

Profitability

The relationship between a therapist or technician and a client demands confidentiality. Most clients prefer to stay with the therapist or technician with whom they have built up an understanding and trust. Any therapist or technician who has had the experience of being asked to treat somebody else's client will know that they are being compared to the client's usual therapist or technician. Although the good points of the treatment will be recognised, the negative aspects will receive more attention. For a client to want to change their therapist or technician, the new one must be a lot better than the original and not just slightly better.

Costs and Sales

The buyer of an existing business shouldn't assume that the amount of sales shown in the accounts will remain the same after it has been sold. You will lose some of the business's existing clients and sales will probably fall in the short term. However, the costs associated with the business can be assumed to remain at their present level.

Businesses operate under the conditions of:

$$\text{Sales} - \text{Costs} = \text{Profits}$$

The existing business will be sold on the historic profits but, if the sales go down and the costs stay the same, the profits will also come down.

To allow for this expected drop in sales, look at how the accounts would be read if the sales were reduced by a significant amount - say 20%. Would the business still make a profit? How about a 30% reduction?

Valuation of Assets

The seller is likely to have drawn up a list of the business assets (couches, machines, equipment, cosmetics etc) and have valued them at a certain price. You will need to assess the reality of the valuation.

Consider your position as if you were starting a business from scratch; what equipment would you need and how much would you have to pay for it, either new or second hand? Do you actually require the equipment that is for sale with the business? Do you need more? Has there been a suitable reduction for wear and tear of second hand equipment?

The valuation of fixtures and fittings shown in the accounts should not be the basis of the actual valuation. Accounting practices can allow a certain degree of freedom in the valuation of assets and the important thing to consider is the value of the assets to you, not the accountant.

Any payments which have been made in advance, such as business rates, rent, licences etc, should be included in the assets valuation.

Goodwill

Goodwill can often be valued more highly than profitability and assets put together but is the most intangible of the three categories.

Goodwill can be the previous owner's attempt to estimate in monetary terms the value of all the hard work they have put into the setting up of the business. However, from the buyer's point of view, work done in the past does not matter; all that matters now is the potential of the new business to earn a profit. The goodwill is best disregarded when making your own valuation of the business.

Guide to Valuing a Business

Valuing a business is not something that can be explained simply. It is a specialist area and you will need to gain professional advice about this from an accountant.

Business Accountancy

Running a beauty, holistic or nail business, like running any type of business, will involve the management of money. This has to be done in a methodical way and needs to be recorded so that:

You can review how your business is performing.

HM Revenue and Customs and VAT authorities can assess your liabilities.

Most therapists and technicians seek help in the financial management of their businesses from qualified accountants. Even if you do have your accounts drawn up by someone else, it is important that you understand the way in which financial results are declared at the end of the financial year and how your day to day activities affect this. There are several courses run by HMRC which cover this aspect of business.

There are two basic statements that you will need to produce each year for your accounts. These are the Profit and Loss Account and the Balance Sheet.

Profit and Loss Account

At the end of an accounting period, the owner of the business will want to know whether the business has made a profit or a loss. This determines how much tax there is to pay and what money can be taken out of the business. To compile this information, all items of income are gathered together and the detailed totals are added together to produce a total figure of income into the business. From this total income all the items of expenses and outgoings must be deducted. When the totals of these figures are taken from the income, the difference represents the gross profit (or loss if the figure is negative).

Various adjustments must be made to get a net profit figure, for example, the difference between the opening and closing stocks and the depreciation for fixtures and fittings would enable the balance of this account to show the profit which is then transferred to the balance sheet.

Balance Sheet

Once a year, at the end of the trading period, the business owner needs to assess the state of the business in terms of the value of all items used in the course of trading. The profit or loss made by the business is shown in the profit and loss account and the figure that results from this forms an important part of the overall health of the business. The balance sheet represents a snapshot of the business at a specific point in time. It shows what is owned by the business and what is owed. The items owned by the business are referred to as assets, whilst all that is owed by the business are liabilities. Assets are things such as fixtures and fittings, stock, cash in the bank, or cash in hand. Liabilities cover the capital used to set up the business, any losses you may have made and any unpaid bills to suppliers (referred to as creditors).

The balance sheet is called this because the total of assets balances out the total liabilities.

Assets = Liabilities

Setting Up Costs and Sources of Capital

Anyone wanting to set up a beauty business will require an initial sum of money; capital. There are two questions to ask:

How much do I need?

Where am I going to get it from?

Capital Required

Premises

6 months' rent 1,000

6 month's rates 200

Refurbishment

Decorating 500

Equipment

Telephones 200

Computer 1,000
Couch x2 600
Wax pot x2 150
Electrolysis machine 200
Mag lamp 100
Chair 50
G5 450
Sunbed 1,300
Others 750
Stock
Wax 100
Massage oils 75
Cleansers 50
Toners 50
Moisturisers 75
Make-up 250
Cotton wool 25
Bed rolls 30
Electrolysis needles 100
Other 200
Professional Fees
Guild of Professional Beauty Therapists
95
Stationary
Letterheads 150
Business cards 75
Gift vouchers 75

Total £7,850

Capital Required

This figure represents the amount of money required before trading can start.

Unfortunately, more capital than this will be required to cover the running costs of the business in the first few months before it becomes established. The capital required above the £7,850 is known as the working capital. The working capital can be found by estimating the amount of cash flowing into and out of the business in the early months of trading.

Cash Flow Forecast

The cash flow forecast is the next stage of the business planning process. It records when you think you will receive and pay out cash and forms the basis for calculating the amount of working capital you will need. You will need to make estimates of your income and expenses for this. An estimate is made of the value of receipts against the cost of all overheads expected on a monthly basis.

Many businesses fail to make sufficient provision for working capital within the early stages of trading and are then forced to find additional capital at short notice and under unfavourable conditions. It is important to make sure that additional capital can be secured if required. Don't forget that the cash flow projection is only an estimate which could easily be anything up to 30% out in either direction. It would be wise to have a previously agreed overdraft facility which could be available if required.

Sources of Capital

Once you have determined the amount of capital required, a suitable source must be found. There are a number of possible sources.

Private Capital

You may be fortunate enough to be in the position of being able to fund the new business from your own personal savings. This means the business will not be charged interest on the capital employed. This does not mean that the capital is free. The true cost of funding in this way will be equivalent to the loss of interest previously earned on this capital. However, the difference between this loss of investment earning and the cost of commercial lending will inevitably work in your favour.

Private Loan

Some therapists or technicians take advantage of a personal loan from a parent or relative. Not everybody will be in a position to be able to do this but it will usually work out cheaper to lend in this way than from a commercial lender. The loan will normally be expected to be paid back by a certain date and with a certain specified rate of interest. Such loans are usually arranged without a formal contract and can often be quite favourable to the therapist.

Bank Loan

Banks are in business to lend money and are the safest and most accessible way to secure business capital at this level. The interest rates they charge will be quoted as so many points over and above the current base rate and this interest will usually be payable each month. The bank will expect to get its money back eventually and so you will only secure a business loan if you can convince the bank that your business is viable. It is unlikely that the bank will be prepared to lend the full amount of capital required, as they will expect to see a proportion coming from your own private means.

Business Start Up Schemes

Government schemes which are meant to encourage the start up of small business could be available and it is worth investigating if your new business idea could benefit from such a scheme. Financial assistance is available either in the form of income during the first year or low cost loans. Certain conditions apply, like if you have been unemployed for a certain period or if you are setting up in an inner city development area.

Other Commercial Lenders

There are a number of commercial lenders other than the main banks, who may be willing to lend to small businesses. These lenders may be prepared to offer lower interest rates but will usually require some form of collateral such as your house, which could be at risk if you fail to pay back the loan. As with any loan, the terms and risks should be clearly understood. Whilst this type of lender should not be disregarded totally, extreme caution should be exercised.

Accounts

Information on your accounts must be kept accurately and up to date. You need to know whether or not you are making a profit and so do the Inland Revenue, who need to know if the figures are correct and calculate how much tax you owe. Just as we all have to make ends meet with our own personal finances, the same principles must be applied to business activities. Personal money must be kept separate from the business and the records must reflect this. Clients requiring treatments will not normally ask for credit facilities or delayed payment terms. However, the odd one or two clients may try to, especially with a new business owner. This will cost you either in terms of the debt never being repaid or the cost of funding a business loan.

Accounts Package

There are a number of accounting software packages on the market that allow you to

keep a track of the income and expenses of your business. But which one is best for you? If you intend to use an accountant, it would be worth asking their advice on this. They will generally suggest you use one of the more popular packages which will make it easy for them to provide you with regular management accounts so that you can assess how the business is running on a month by month basis, and also to prepare your accounts at the end of each financial year.

Business Administration

This module covers the type of administration activities that a new salon owner will have to undertake and investigates the ways in which these activities can be made both simple and effective. The module will begin with an interactive tutorial and will conclude with a series of examination questions, which will assess your understanding of the content.

If you are unfamiliar with the navigation process of the GTI courses, please follow the link at the top of the page.

Or, if you are comfortable with the navigation process, click the Next button to begin. Regardless of the type of business you are running, you will need to administer it efficiently. Record keeping, ordering products, paying bills, writing to suppliers and advertisers and other such jobs are the type of activities which will need to be done. At times, it can seem that there is no time to devote to actually working. Most business owners tend to view paperwork as a necessary evil and would much rather spend their time doing treatments. Whilst this is understandable, the paperwork or business administration should never be allowed to slip, otherwise it could cause costly interruptions to the smooth operation of the business. Prompt replies to correspondence are both courteous and efficient. Similarly, timely control of stock levels can prevent the embarrassment of running out of products.

Computers

Almost every household will own a computer and you may want to think of investing in one solely for your business. The cost of a suitable business system is cheaper than when they were first developed and continues to fall. Even if you were to buy the most up to date systems, the savings it will give you in time will pay for itself within a few months and the extra control it will give you over your total business activities are significant.

There are a number of main computer based tools which the small business owner can utilise. These come as standard with most computer systems.

Database

A database is similar to a card index system on which you would keep all your client records. You can design the database to show as much or as little information as you wish. Each record in the database is made up of a number of separate fields. A typical record may look like this:

Field

Title: Mrs

Surname: Smith

First Name: Jane

Telephone: 081 1234567

Address 1: 12 New Street

Address 2: Oldtown

Address 3: Bigcity

Address 4:

Postcode: AB1 2CD

Email address: j.smith@hmail.com

Treatment 1: Waxing

Treatment 2: Facial

Facial Type: Luxury

This is a typical record from a client database and is the type of information which would otherwise be stored in a card index. With a card index, all the client records would be arranged in the alphabetical order of one field, usually the surname. The records in the database can be shown in this way also but they can also be sorted and displayed using any of the fields in the record. For example, you may want to run a promotion for a new facial treatment, and decide to mailshot all your clients who usually have facial treatments. The records can be sorted to show these clients. Client Relationship Management (CRM) Databases (for example, Microsoft Outlook) allow you to synchronise your emails, calendar and records so that all you need is on one program.

Warning

Under the Data Protection Act 1998, you must keep client records on a computer securely protected with security measures like passwords. You must not disclose a client's records to any third parties.

Word Processors

Word processing programs are widely used. They can be synchronised with a database or a spreadsheet in order for you to send emails to all your contacts. All business correspondence will need to be typed up if it is not sent by email. You can also type up and print out your client record cards and aftercare advice.

Spreadsheets

A spreadsheet is made up of a grid or matrix of cells, into which you can input data or formula. The data can then be manipulated in a number of ways, saving considerable time by avoiding repetitive calculations.

The spreadsheet is arranged into rows and columns as shown below. Each separate cell is identified by its own unique column letter and row number; the top left hand

corner cell is A1, the next one to that is B1 and so on.

A B C D E

1

2

3

4

5

Text or numbers can be entered into the different cells. This example shows an analysis of treatments.

| | A | B | C | D | E | F | G |
|----|--------------|-----------------|----------------|----------------|-------------|--------|---------------|
| 1 | | | | | | | |
| 2 | Labour rate | £5.00 | | | | | |
| 3 | | | | | | | |
| 4 | Treatment | Treatment Price | Treatment Time | Materials Used | Labour Cost | Profit | Profit Margin |
| 5 | | | | | | | |
| 6 | | | | | | | |
| 7 | Leg Wax | £10.00 | 0.5 | £0.75 | £2.50 | £6.75 | £13.50 |
| 8 | | | | | | | |
| 9 | Facial | £20.00 | 1.5 | £3.50 | £7.50 | £9.00 | £6.00 |
| 10 | | | | | | | |
| 11 | Electrolysis | £6.00 | 0.25 | £0.50 | £1.25 | £4.25 | £17.00 |

The spreadsheet can do calculations using formulae. The labour cost, profit and profit margin shown in columns E, F and G are calculated from the data in earlier columns.

| | A | B | C | D | E | F | G |
|----|--------------|-----------------|----------------|----------------|-------------|--------------|---------------|
| 1 | | | | | | | |
| 2 | Labour rate | 5 | | | | | |
| 3 | | | | | | | |
| 4 | Treatment | Treatment Price | Treatment Time | Materials Used | Labour Cost | Profit | Profit Margin |
| 5 | | | | | | | |
| 6 | | | | | | | |
| 7 | Leg Wax | 10 | 0.5 | 0.75 | =B2*C7 | =B7-D7-E7 | =F7/C7 |
| 8 | | | | | | | |
| 9 | Facial | 20 | 1.5 | 3.5 | =B2*C9 | =B9-D9-E9 | =F9/C9 |
| 10 | | | | | | | |
| 11 | Electrolysis | 6 | 0.25 | 0.5 | =B2*C11 | =B11-D11-E11 | =F11/C11 |

With this example, it is possible to experiment with the figures, asking questions such as:

What would happen to my profit margins if I were to offer a half leg wax at £9.00 instead of £10.00?

What would happen to the profit margins for all my treatments if the labour rate went up by 10%?

These questions could be answered without a spreadsheet but you would need to

repeat the calculations by hand every time you considered a different scenario. A model like this does take a few minutes to set up, but once it has been set up, no end of different situations can be tested quickly and accurately.

Applications

The types of business software detailed here are capable of fulfilling most of the required computing needs of a beauty business.

Daily Financial Records

It is necessary to keep financial records of the day to day transactions of your business. A spreadsheet can be set up with the data entered at the end of each day. The amount of takings will then be used to compile the end of year accounts and the frequency of which treatments are carried out can be used to give an overall marketing picture.

Cash Flow and Other Financial Forecasting

Ensuring an adequate cash flow is essential for any business, especially in the early years of trading, and the easiest way to examine different scenarios is to use a spreadsheet. Other aspects of the business can also be forecast in this way; profits, payback periods for investment in new equipment, staffing levels, etc.

Pricing Analysis

One of the most influential of the four Ps of Marketing is Pricing. Careful consideration of pricing in relation to profit margins and frequency of treatments can help to maximise total profits. Historical data of treatment frequency (taken from the daily analysis of which treatments are most in demand) can be used to examine expected effects of different price changes.

Advertising

Advertising should be as cost effective as possible. Each advertising campaign can be evaluated and compared in a spreadsheet. You can work out the number of people reached overall as well as how many people have been reached in your target segment.

Summary

This module is an introduction to the possibilities which exist through the use of computers for your business. If you are confused about how to use certain computer programs, don't worry; it will not prevent you from being a successful business owner. The best way to learn about computers is to use them. You could enrol on an evening class in your area, which will allow you to examine the capabilities of computer systems for yourself. The tutors on these courses should also be able to give impartial advice about which system is most suitable for you.

Support For Your Business

Starting a new business is a little like leaving home for the first time. The attractions of being free to come and go without the consent of your parents is balanced by the added responsibilities of making sure bills are paid and household chores are done. Compared to running your own business, being employed by somebody else is easy as you don't have to get involved with a whole number of decisions and additional work.

Business Assistance

Many therapists find that the transformation from being employed to being self employed leaves them feeling isolated. The new business owner will be faced with having to make many decisions which beforehand could be passed over to the boss.

Inexperience can lead to mistakes being made which can severely affect the survival of a new business.

Many new business owners make uninformed decisions rather than seeking assistance. Assistance for your new business is available and it is a sign of strength and not an admission of weakness to take advantage of this help.