



wynne business

grow. delight. profit.

\$how Me The Money!

By Lisa Starr



Defining Profitability

- **Dictionary definition – yielding advantageous returns or results**
- **What does it mean to you?**
- **Do you know if your business is profitable?**





What is Success?

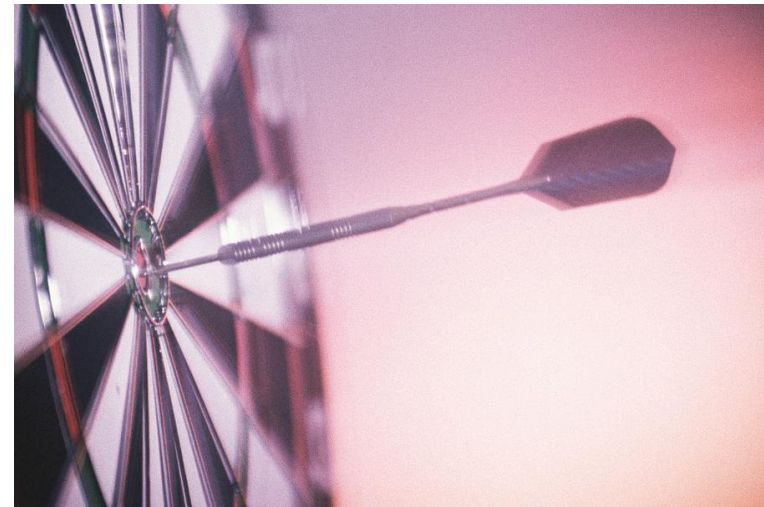
- If you are an owner/operator, do you draw a commission or salary for your revenue producing work?
- If you are an owner/manager, do you receive a salary for your contribution in managing the business?





Set Goals FIRST

- Earning a modest living while waiting for your property to appreciate
- Financing a job for yourself/partner/friends
- Because you like to go to spas!
- You enjoy having a LOT of children





Effective Financial Management

- Performance Benchmarking & Profit Formulas
- Financial Strategies





Financial Framework

- Chart of Accounts
- Income Statement
- Dept. specific payroll
- Isolation of treatment costs
- Outstanding gift certificates
- Ratios and benchmarks





Income Statement

- Revenue, with department detail for services and retail
- Cost of goods, with same department detail (costs related directly to sale)
- Gross margin
- Expenses
- Net Margin



Income Statement

Skin Service Sales

Massage Service Sales

Skin Retail Sales

Massage Retail Sales

Other Income

Gift Certificate Sales

TOTAL REVENUE

Skin Service Labor

Massage Service Labor

Skin Tx Supplies

Massage Tx Supplies

Skin Retail Commission

Massage Retail Commission

Skin Retail Products COGS

Massage Retail Products COGS

Freight and packaging

Concierge Staff

Credit Card Fees

TOTAL COGS

EXPENSES

NET MARGIN



Income Statement

General

Revenues

| | | |
|------------------------------|------------------------|------------|
| Sales Returns and Allowances | \$ (576.00) | 0% |
| Service Sales | \$ 1,618,523.04 | |
| Total Retail Sales | \$ 404,711.66 | |
| Sales- Gift C. | \$ 267,129.83 | |
| Events Income | \$ 5,892.84 | |
| Interest Income | | |
| Sales - Tax Discounts | \$ - | |
| Other Income | \$ 39.91 | |
| | | |
| Total Revenues | \$ 2,296,297.28 | 100 |

| | | |
|----------------------------|------------------------|-----|
| Cost of Goods Sold | | |
| Sales Labor | \$ 719,086.20 | |
| Professional Supplies | \$ 144,367.35 | |
| Retail Products | \$ 168,795.06 | |
| Total Cost of Goods | \$ 1,032,248.61 | |
| | | |
| Gross Profit | \$ 1,264,048.67 | 55% |



Income Stmt Rev detail

Revenues

| | | |
|------------------------------|------------------------|------------|
| Sales Returns and Allowances | \$ (576.00) | 0% |
| Service Sales - Dental | \$ 7,226.88 | 0.4% |
| 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 | \$ 284,970.60 | 12% |
| Total Service Sales | \$ 1,618,523.04 | 70% |

| | | |
|---------------------------|----------------------|------------|
| Retail - Boutique | \$ 120,203.66 | 5% |
| 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 - Nail | \$ 27,884.00 | 1% |
| Total Retail Sales | \$ 404,711.66 | 18% |

| | | |
|-----------------------|------------------------|------------|
| 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 | \$ 2,296,297.28 | 100 |

Cost of Goods Sold

| | | |
|-------------------------|----------------------|------------|
| COS - Concierges | \$ 157,581.87 | 7% |
| COS - Esthetics | \$ 147,106.83 | 6% |
| COS - Hair | \$ 134,205.28 | 6% |
| COS - Makeup | \$ 9,702.68 | 0% |
| COS - Massage | \$ 164,003.28 | 7% |
| COS - Medical | \$ 12,507.27 | 1% |
| COS - Nail | \$ 93,978.99 | 4% |
| Total Labor COGS | \$ 719,086.20 | 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 | \$ 19,947.94 | 1% |
| Supplies - Boutique | \$ 57,697.76 | 3% |
| Total Back Bar COGS | \$ 144,367.35 | 6% |

| | | |
|----------------------------|------------------------|------------|
| Retail Prod Boutique | \$ 48,081.46 | 2% |
| Retail Prod Esthetics | \$ 66,168.80 | 3% |
| Retail Prod Hair | \$ 23,907.50 | 1% |
| Retail Prod Makeup | \$ 7,497.30 | 0% |
| Retail Prod Massage | \$ 9,198.00 | 0% |
| Retail Prod Nails | \$ 13,942.00 | 1% |
| Total Retail COGS | \$ 168,795.06 | 7% |
| Total Cost of Sales | \$ 1,032,248.61 | 45% |
| Gross Profit | \$ 1,264,048.67 | 55% |



Tracking Revenue

Recommended Retail to *Total Sales* Ratios

Day Spa

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

Resort Spa

- Hair - 5-10%
- Skincare - 15-30%
- Massage/Bdy - 0-5%
- Nails - 0-10%
- Cosmetics - 25-50%
- Gift - 5-15%



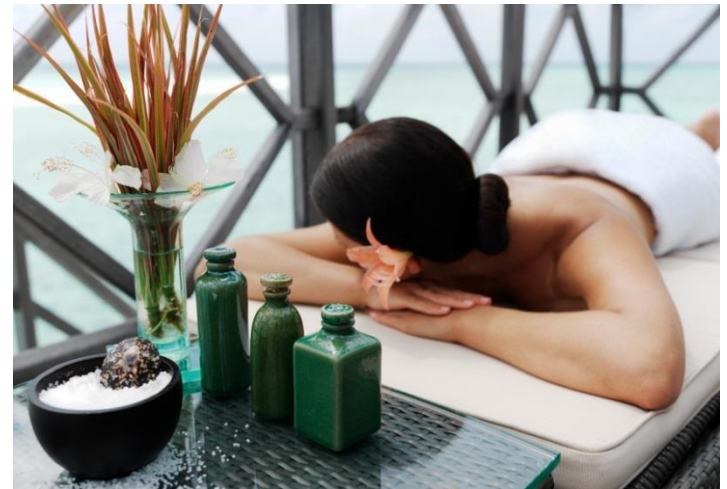
Tracking Revenue – Typical Metrics

- **Average ticket for spa or salon**
 - **Service \$ + Retail \$ / number of clients**
- **Average ticket for operator**
- **\$ per hour per station**
- **\$ sales per square foot**



Tracking Revenue - *cont'd*

- Utilization/Productivity rates
- Property Occupancy rates
- Retention vs Request
- Capture Rates
- Hotel ADR





Tracking Expenses

■ Labor – Your Largest Expense

Technical Staff

Hourly Staff

Management/Salaried Staff

Taxes & Benefits





Tracking Expenses

■ Professional inventory costs, by department

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





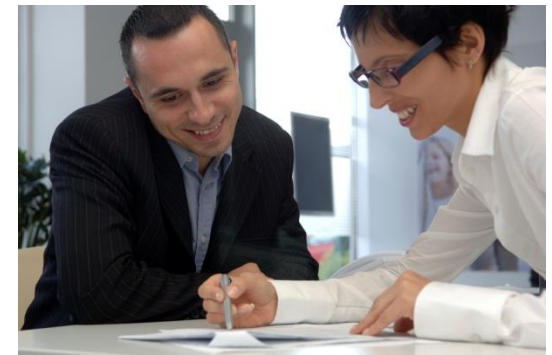
Tracking Expenses

- **Rent & Utilities**
- **Advertising & Marketing**
- **Contribution to burden**
- **Cleaning, Repairs & Maintenance**
- **Training & Education**
- **PROFIT!**



Performing a Business Evaluation

- **Identify under-performing areas**
- **Work on both revenue & expenses**
- **Develop an action plan**
- **Pick a few key focus points**
- **Involve the staff**





Where to Start?

- **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?**



Where to Start?

- **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?**



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Thanks for your attention!

- Questions?
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