Welcome to the MIKAL Recession Buster System

We have major challenges in this economy in the following areas:
- Building Staff
- Increased Costs from Vendors
- Client Loss and Loyalty Problems
- Loss of Sales Revenue

What is your plan to overcome these challenges?

The MIKAL Recession Buster System

The MIKAL Recession Buster System is a software package that integrates features that will drive your business marketing and management to the next level. Many of these ideas can be done, have been done before, or have been done by someone else but NOT at the same time with a consistent strategy!

Let’s learn how other successful salons and spas use the MIKAL systems to grow their businesses in these challenging times.

Fred Dengler, Co-Founder of MIKAL thoughts on this all new Recession Buster business approach:

Over the last four years I have been involved in teaching more business management classes than in the previous ten years. I have also audited many other consultants’ classes. From this exposure, research, and combined with the all new features and reporting power of MIKAL SIX I have developed the only software in the industry that directly uses the most powerful tracking, reporting and marketing tool in the industry and combined this tool with the strategies and systems needed to revolutionize your business.

We have to ask in your business – where is the WOW? **MIKAL will design the Recession Buster Success Plan** based on your goals – sales, staffing, and systems – to create your new approach. Three major areas of your business will be evaluated and a customized plan based on your goals will be created using all new marketing and management strategies

Sales Goals
Staffing Goals
System implementation Goals
Competitive goals
We get serious about your Sales goal – increase sales and profits. We will research and evaluate every option you have in your business to increase sales and profits. Learn how to implement incremental sales. Evaluate your service menu to maximize profits. Find out new ways to create an add on environment. Redesign your retail sales strategy to eliminate the stress of closing sales and increase retail sales to up to 30% of your gross sales. Use all new evaluation systems to make sure every service is profitable – or eliminated!

Your Service Menu
Service times
Time line the client experience
Service Prices
Your Retail Menu
Retail Consultations
Surveys and marketing
Compensation and Follow up

We help you achieve your Staffing goal – grow the team, and create the culture for success. Using your MIKAL reports and a new approach to evaluating performance and profitability examine your present staff and learn new strategies to help them grow your business. Learn how to hire and train new employees that become part of the new improved culture in your business and how to get your new staff booked and busy in 90 days – or less.

Staff Goals build business goals
Staff sales analysis
Staff break even analysis
Staff scripting
Surveys and systems
Staff follow up

We implement Systems that work – the customer processing system for success – scripting and monitoring. Use the all new time line concept to chart every service in your business. Discover every possible event that can be used to increase customer satisfaction and retention. Examine your services in a whole new way.

The Client process – a wow at every turn
The service provider process
The follow up process
First we have some questions for you:

What is your business? __________________________________________________
______________________________________________________________________
______________________________________________________________________

Knowing your numbers will give us the insight and power to make decisions. Having clear financial goals makes it easy to evaluate marketing and staffing opportunities, weak areas, and expenses. In most cases we make decisions based on less information and more gut feel or heart. In today’s environment we can’t afford to do that and make mistakes. We also can’t wait to long to change a direction or strategy if it is not working.

We deal with limited resources every day. Only so many hours in the day, so many employees, so much money to spend on marketing and staffing, only so many clients and price points that can only be changed to some degree because of competitive forces.

Name some of your limited resources:

__________________________________________  ________________________________
__________________________________________  ________________________________
__________________________________________  ________________________________
__________________________________________  ________________________________
__________________________________________  ________________________________

If we are not as profitable as we want to be we must work on cutting costs, increasing average service dollars, increasing client visits, increasing overall client base, or a mixture of some of these strategies.
Where can you make the most impact on your profits? __________________________
______________________________________________________________________
Where do we start?

Your Numbers

What was your Gross Profit Percentage ______ %

Gross Profit Dollars $ __________

Gross profit is how much you make after paying the costs that fluctuate or vary with the amount of business you do. Variable costs include cost of products used in service, commissions paid on service, some of your utilities…..

Is your gross profit at least 36%?

Your gross profit is what you have left to pay the regular monthly bills, guaranteed hourly and salary costs, and the profits you make.

What was your Net Profit Percentage ______ % Net Profit Dollars $ __________

Net profit is what is left after you have paid every expense and every bill.

Is your net profit at least 12%?

Total Service Sales for the year $ ________________ Percent of Total Sales ____ %

Target Service Sales for the year $ ________________ Percent of Total Sales ____ %

How do you plan on raising sales dollar volume? ________________________________

________________________________________________________________________

Number of Services YTD # _________

Target # of Services YTD # _________

How do you plan on raising the number of services provided? _____________________

________________________________________________________________________

Average Service dollar amount YTD $ ______

Target Service dollar amount YTD  $ ______
How do you plan on increasing the average per service dollar volume?

____________________________________________________________________________________

____________________________________________________________________________________

Total Retail Sales for the year $ _________________ Percent of Total Sales ____%

Target Retail Sales for the year $ _________________ Percent of Total Sales ____%

How do you plan on increasing retail sales dollar volume? ________________________

____________________________________________________________________________________

NOTE: at 10% Net Profits you have to increase sales dramatically to have the same effect as a small cut in costs – or even just holding costs in place.

Example: to end up with an extra $1000 in profits is it easier to cut $1000 in costs – that go right to the bottom line in profits or is it easier to generate $10,000 in extra sales that will end up making you $1000 in profits?

What costs/expenses could you cut in your business today? ________________________

____________________________________________________________________________________

____________________________________________________________________________________

Plus – to generate the extra $10,000 in sales do you have to spend more? _________

So how much do you have to generate in sales to cover the extra costs AND end up with the $1000 in profits? _________

To increase sales what would you have to spend money on?

____________________________________________________________________________________

____________________________________________________________________________________

____________________________________________________________________________________

____________________________________________________________________________________

____________________________________________________________________________________
Let’s look at the real impact of cost and expense increases and decreases on your business using a simple breakeven analysis. This is available through our MIKAL Consultants.

<table>
<thead>
<tr>
<th>Cost Description</th>
<th>Fixed Costs ($)</th>
<th>Variable Expenses (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional Products purchased</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payroll commission + tax percentage</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payroll hourly + salary per month</td>
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<td></td>
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<tr>
<td>Other payroll expenses</td>
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<tr>
<td>Salaries (includes payroll taxes)</td>
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<tr>
<td>Office and maintenance supplies</td>
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<td></td>
</tr>
<tr>
<td>Repairs &amp; maintenance</td>
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<tr>
<td>Advertising mailings postage</td>
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<td></td>
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<tr>
<td>Car, travel, food, entertainment</td>
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<td>Insurance</td>
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<td>Taxes (Real estate, etc.)</td>
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<td>Equipment lease costs - no leases</td>
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<td>Other (specify)</td>
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<tr>
<td>Miscellaneous expenses</td>
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<td>Owner’s draw</td>
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<tr>
<td>Total Fixed Expenses</td>
<td>13,720</td>
<td>72.0</td>
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</table>

Note when you increase any expense category as a dollar amount or percentage of total expenses the actual amount of increase you need in sales to justify the cost.

This will allow you to come up with what you need your sales to be for a break even point.

Break even should always include Owner’s draw or owner’s salary. If you are not making a basic living wage with your business how can you make decisions?
**Remember** – decisions should not be made based on achieving break even sales. Decisions should be made based on making a net profit that allows the business to sustain itself and grow.

We can use the same type of **analysis department** by department. Her is an example massage department that utilizes 3 rooms and takes up about 25% of the Spa square footage. The staff is paid a salary so that all hours are covered. The spa overhead is based on the percentage of the spa used for massage services.

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Note that in my Massage model all expenses are fixed because I have a set hourly/salary base for the therapists and have taken a percentage of all actual expenses and inserted those regular dollar amounts. Our Breakeven sales goal now is $5450

What happens to our Breakeven sales level if we switch to 50% commission? $_____

What happens to our Breakeven sales level if our costs of products go up to $300, or our advertising goes up to $300? $_____
What happens to our Breakeven sales level when we pay off the equipment and that cost goes away? $______

It is critical that your systems give you information to make decisions that will positively impact your salon or spa. MIKAL software and consulting will help you manage your business!

Now let’s look at this department in more detail.

**Massage Department**

- 3 rooms
- 3 hourly guarantee employees
- 25% of our square footage

Breakeven sales is $5450 per month

If Breakeven is $5450
Divided by 3 rooms
$5450 / 3 rooms = $1817 per month in sales per room

Breakeven per month per room is $1817
Divided by 4.3 weeks
$1817 / 4.3 weeks = $422.55 per week per room

Also

If breakeven is $5450
Divided by 4.3 weeks per month
$5450 / 4.3 weeks per month = $1267.44 per week in sales for the department.

Now

What is your price per massage? $________

How many massage services do you have to do per week to achieve the Breakeven goal per week? ________

Example: Massage price is $80 and the weekly goal for the department is $1267.44 so you must do 15.8 massages per week for Breakeven.

With 3 rooms you must do 5.26 massages per room per week.
Now you can make some decisions!

If you are not at Breakeven for this (or any) department

Should you look at cutting costs? ________________________________

Should you look at increasing advertising (increases breakeven) ________________

Are there some low cost/no cost ideas that could increase sales and achieve breakeven?

Should you look at increasing number of clients (increases breakeven) ____________

__________________________________________________________________________

Should you look at increasing price (may reduce number of clients) ______________

__________________________________________________________________________

Should you look at increasing income per visit with add on services? _____________

__________________________________________________________________________

The purpose of this exercise is to get you to see your options and the impact your decisions make on your business.

By getting comfortable with using this type of decision making process you will be able to see the issue more clearly and have a structure and framework from which to make the best decisions for you and your business.

Would using this model help analyze ideas and input from others like:

We need to be available more hours so we can do more massages.
We need to do an ad in the paper with a $20 off discount to increase sales.
We need to paint and remodel the massage rooms so they look better.
We need to add another part time massage person to take up the slack.
Now we can design a plan for your success!

**Design the Success Plan** based on your worksheets to achieve your goals – sales, staffing, and systems – create your new approach.

Three major areas of your business will be evaluated and a customized plan based on your goals will be created using all new templates and worksheets.

**If you have a Hair Salon:** As a hair salon it is important to define who your customer is, and create a marketing program that re-enforces regular repeat visits and generates referral customers.

You need to create a Frequent customer rewards system, a strong direct marketing reminder system, and a referral tracking and reward system.

In the employee area is critical to create a compensation and goal setting system that will make you competitive in your market and motivate your staff.

As a hair salon it is critical that inventory be tracked to control theft and evaluate product performance. You must concentrate on retail sales to increase the bottom line.

**If you have a Day Spa:** As a day spa you must position your business in today's market as either wellness, luxury, or medical-clinical. With this in mind it is important to define who your customer is, and create a marketing program that generates gift card sales, series and package sales, and group bookings. Your system must also help you turn the one time a year event type customer into a regular customer using series sales, a Frequent customer rewards system, a strong direct marketing reminder system, and a referral tracking and reward system.

In the employee systems you must manage multiple departments that have different compensation programs. It is critical to create a compensation and goal setting system that will make you competitive in your market and motivate your staff.
As a day spa it is critical that inventory be tracked to control theft and evaluate product performance. You must look at products in each spa area and evaluate contribution to sales.

**If you have a Medical Clinical Spa:**
Medical-Clinical Spa: As a medical-clinical spa you must position your business in today's market as the solution provider to health and anti-aging. With this in mind it is important to define who your customer is, and create a marketing program that generates a trust level for the types of services and procedures you offer.

Series and package sales are critical to your long term success. Your system must also help you turn the one time a year event type customer into a regular customer. Using series sales offers re-enforces regular repeat visits and generates referral customers.

You need to create a strong direct marketing reminder system and a referral tracking and reward system.

In the employee systems you must manage multiple departments that have different compensation programs. It is critical to create a compensation and goal setting system that will make you competitive in your market and motivate your staff.

As a medical-clinical spa it is critical that inventory be tracked to control theft and evaluate product performance. You must look at products in each spa area and evaluate contribution to sales.

**Now let’s go inside your salon/spa………**

**Reception and Front Desk Area and Systems:**

Your front desk /reception area is the first and last area that your customer has interaction with.

The greeting and exit procedures must be smooth for the first visit and designed to encourage repeat business.

Hint – do you have a report like the MIKAL Daily Customer Action Report in your present system?

Do you have a new client script that is practiced and role played for perfect delivery?
This is your Daily Customer Action Report – or VIP report as many of our customers call it.
It is critical that you know special items about each of the clients and respond to their needs like seating the customer, getting the customer into a smock, and setting the customer down with a style book or salon/spa service menu.

It is also critical that the customer views the entrance and check in at the front desk as part of the appointment process so that the "clock" does not start ticking if the operator takes a few minutes to greet the customer.

The customer "check in" must be made into a process perceived by the customer as "part" of the appointment.

All customer information must be pulled and available in the service provider's hands before the service is performed. Every customer has a card, and key personal and retail buying information is on the card. All cards are updated and filed for the day.

The new customer welcome book display must be located at the front desk, in the retail area, and by the operator's stations to encourage new customer rebooking before exiting the salon/spa.
Call your MIKAL consultant to see how the welcome book will DOUBLE new client retention!
A sign offering gift certificates/gift cards must be displayed in the front area and is listed on the price menu. The MIKAL system allows you to sell and redeem gift cards internally without processing costs.
Employee sales tracking and revenue increasing ideas include

The salon/spa needs to create price levels based on the customer demand that each operator experiences. The price levels should be separated by at least a 10% difference and there are at least two operators at each level (except the most expensive level that can support one operator if needed). Often we suggest the owner have the top level.

Now let’s look at how to analyze employee performance for maximum income:

Let’s look at the Employee Ranking Report to see who has the highest average ticket and look at the Advanced Page option to see who is below the average ticket.

The Advanced page on the Employee Ranking shows the list of employees below the average ticket, the employees that account for 50% of your service revenue, and the employees that have retail sales with a ranking 3 or more lower than their service ranking.
Setting up price levels (tier pricing):

If you do not have price levels, we have a no hassle way of setting up three price levels in your salon/spa. If you are the owner/operator raise your prices and mention this to the other top service providers. When everyone is tipping out mention how much more you made by doing the same services as the other top service providers. Within a few weeks one (or more) of them will want to increase their prices to your level! Price levels allow the most requested operators to experience pay raises without increases in commission percentages. Our systems track the number of requests and retention percentages to make it easy to see when an operator is ready to move to the next level.

Price Increases - Critical to Your Long Term Success

The salon/spa needs to raise prices on different service departments at different times of the year. All prices must increase at least 3-5% each year.

We recommend you increase haircut prices in early August. Chemical service prices in late October, styling services in early March, and nail/skin services in early May. This strategy prevents customer "sticker shock" from raising all prices at once and works together with the demand for the services.

What percentage retention do you need to allow a service provider to go up a price level? __________

Is your new client retention at least 45%? If not ask for our New Customer Welcome Book information.

Is your repeat client retention at 80% per visit or more?
Increasing the Sales Goal

If you want to increase your sales and margins (sales per customer) in 2009, you need to understand the customers' perceptions, buying trends, and competitive environment. They have changed.

The importance of the positive customer experience has never been greater. Customers are tense, some are even angry about the society and environment they find themselves in. Time is at a premium.

Customers are experiencing an information overload. The Internet purchases have increased dramatically while in-store purchases have dropped, and we have a slowing economy!

How can we create an environment that satisfies customers and develops new loyalty?

We need to re personalize our business to the way customer's want to buy. Each customer and every customer event (transaction) needs to be a positive one.

We need to look at every event in our customers' relationship and make sure the quality, consistency, and follow up is there. At the same time we need to make sure our customer experience is differentiated from our competition and the differences are clearly communicated.

Advertising to the customer of the new economy means:

- Coupon offers can still work but they must have a specific dollar value, not a percentage off.

- Customers want to feel that they are getting something extra for the price.

- Giving an add-on service or retail product free with a service is effective.

- Customers want real value for the price - stress long term effects of a product or service.
How do you put these ideas into action?  Here are some examples

**Example 1** - When asking for referrals, instead of saying, "Do you know anyone who would benefit from my services?" you say, "Is there someone you work with who might enjoy our services?"

**Example 2** - When selling multiple items, whether on your website or in your ads, or sales posters at your salon/spa always position your best products as "Top Seller" or "Today's Special" or "Best Value."

**Example 3** - When advertising retail items only focus on one or two offers or one offer per category. Have a product of the month. Get your distributor to help with a discount you can pass on and free samples to give out. Get free backbar products to use to promote the product of the month.

**Example 4** - When in a face-to-face selling situation, find out your customer’s needs and offer only one, or at most, two solutions. Give the customer two options to choose between.

**Example 5** - When creating different price points for different packages of goods make one price an obvious choice. Put together a spa sampler for $99. *Don’t allow swapping of services in the package.*

**CRITICAL - Get back to your core services.** If you have not done a hydrotherapy massage in 4 months get it off your menu. Delete it from your product classes. Take it out of your service inventory! If you direct your staff to concentrate on your core services and script them on selling, supporting and providing those core services you will be more successful.

Promote the things that make your core services unique. You always provide the service with a consultation. You run on time. You have special training in these areas. You have a great track record in the core service area with referrals, awards, and recognition.

**Let’s take a haircut for example.**

Many salons derive 40% of sales from cutting hair. How can you make your haircut unique? You offer a scalp massage with the precut shampoo. You have a quick conditioner that helps with your cutting technique.

Trademark your core service or name your core service to differentiate it. Your haircuts could be called precision cuts, the perfect haircut, custom cut, or whatever you think matches your core service. You use razor, clippers, or shears based on the look you want to achieve. You always style the hair so no customer leaves without a great look (and an advertisement of your work). You always do
a consultation with the cut. You always prescribe the products to maintain the style and show the customer how to use them. You offer to do a free style training if they get home and can’t achieve the style. You always offer a survey card after the service and give a follow up thank you call or mailing.

When you have your core services look at add on services you can bundle with your core items to create a higher average ticket. Upgrade the quick conditioner to a deep conditioner for just $6 more. Add the paraffin treatment to the manicure for only $12. Do a nail art item with every manicure for a special price. Upgrade to a French manicure with hand massage for only $12 more. Combine a mini facial with your massage for just $30 and it only takes an extra 15 minutes. The options and opportunities are endless. They just need to be easy, uncomplicated, and provide a true value for the extra few dollars.

What can we do to get the Front Desk to generate more income, rebookings, and higher retention?

Let’s look at an example of how we can satisfy the customer, create consistency, include following up, and differentiate our business from the competition.

Use the booking of an appointment as an example. Most salons and spas have an interaction when a customer calls for an appointment like this:

The customer calls and asks if they can have an appointment with Mary for next Monday. The receptionist looks and says yes, gets the customer phone number and hangs up.

Now let’s use the model we discussed above to maximize the customer experience during the booking. The customer calls and asks for an appointment next Monday with Mary.

The receptionist says she will check and asks if the customer knows about the salon's current specials. The customer says no what are they? The receptionist offers a special service that has a unique name (not a conditioning treatment - a hair rejuvenation process) that complements the service being booked and the customer wants to add the service.

The receptionist also asks the customer if they would like a phone or e-mail confirmation and the appointment is booked. The follow up is the confirmation call or e-mail. Look at the difference in the results.

With the new approach the customer is given options, an add-on service is booked, the service has a unique name that the competitors don't use, and the customer receives a confirmation call. We must create this process with every step of the customer experience.
Using the strategy shown above for creating positive customer contacts will increase your sales and margins because of the upsell, increased customer loyalty by booking added services and naming the services to make them unique, and providing a confirmation call.

You can use our Preceptionist Upsell program to do the add on and upsell items at the time of the appointment and really make the whole system work!

<table>
<thead>
<tr>
<th>Top Services</th>
<th>Add on or replacement</th>
<th>Benefit</th>
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<tr>
<td>__________</td>
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</table>

Start with a few services – MIKAL has the script built into the system!

Give the appointment booking staff the ability to upsell services to customers. McDonalds doubled their French fry sales at the drive thru window just by asking "will that be a large" when people ordered French fries!

Have your appointment booking staff recommend a conditioning service at half price to every haircut customer, or a manicure for half price with every chemical service. Have the receptionist code the appointment for the service and give the receptionist a $.50 bonus when they upsell the extra service. That way the services you are trying to build are "upsold" and the receptionist has the ability to make an extra $1.00 to $5.00 an hour!
ADVANCED SALON and Spa MANAGEMENT GOAL SETTING

Let’s create your company to be a goal oriented company that is bottom line profit based. The examples in this section are based on a 10 operator, $350,000 a year salon with industry standard expenses.

Salon Goal Setting:

How do we break them down into every area of the salon and analyze our performance?

Sales must be analyzed by department.

You must break down sales in the salon using your percentages from the Salon Performance Report and from industry figures to check your progress.

MIKAL allows you to set these salon goals in the Optional Salon Goal Setting and Evaluations. You will then see your sales as compared to these goals on a weekly and monthly basis.

Note: these goal setting exercises will only give you the resulting profits if you stick to your expense numbers. You need to set budget amounts for each expense category and hold to the expenses. Every dollar over your budget could come directly out of your profits.
EMPLOYEE GOAL SETTING

Now that the goals for the salon are set we need to set goals for each employee. There need to be minimum goals per employee/chair and advanced goals based on team goal setting.

The SMS Appointment Book shows a Percentage Booked for each Employee for each Day.
MIKAL Reports in the Management Check section shows the **FUTURE Sales based on Bookings** as well as Past Dates.

**COMPENSATION AND GOAL SETTING**

Compensation must be set up to complement the levels of operators and reward the top producers.

In the beginning set up a compensation system that has product deductions, service charges, and assistant charges built in. As production increases these charges can be absorbed by the company.

Your employees are your most valuable asset and are also your biggest expense.

You need to manage and motivate your staff through better communication of performance, structured goal setting, and an aggressive flexible compensation package.
Facility Utilization is critical to your success – what days and times are you busy?

Should you increase/decrease staffing?

MIKAL shows you the numbers with the Projected and Past Booking reports.

Your compensation system needs to match performance to income, especially at the high end. We should not lose our top performers to a higher "percentage".

It costs over $6000.00 in time, expenses, and training to bring new employees on board and get them productive. This does not allow for lost sales!

We need to set up a compensation system that helps us to keep our top operators.

Most salon/spa compensation systems do not reward the top achievers in the salon while making the employees that are at break even (or less) works harder to receive the same benefits that the top performers receive.

Who are your TOP performers?
Running the Ranking Report for the Year will show who is leading the pack. The Management Summary helps you see performance using specific benchmarks.

IDEA: you can run this by department or range of employees to get a better idea of the rankings.

Top performers need to be identified as those doing above break even and working as full time employees.

Top performers need to be identified as full time operators and need to be rewarded for working the extra hours and being their to help, take walk-ins, and build the business.
The Commission v.s. Hours v.s. Business Growth Challenge

Some of your service providers may have begun to realize that they can make a comfortable living by showing up 25 hours a week and being booked solid during that time. The problem with this is that, while they are good revenue producers, they:

1.) take up "prime time" (Red) hours with their regular customers so that new customers cannot get in and new operators cannot build.

2.) are in the salon/spa doing customers with a full book and they cannot help with any salon/spa operations like folding towels, cleaning, helping at the desk.......

3.) become more independent because they are not in the salon culture often enough (they stop being part of the team)

We recommend you grandfather your present staff (continue to pay them in the agreed on way). You need to develop a compensation system for new employees that is more motivating and is based on contribution to the salon/spa's overall goals.

Suggestions:

Hours:
Any employee working less than 36 hours per week is not considered full time. Non-full time staff does NOT get paid vacations, may be required to share the station, and cannot have all "prime time" hours (ex: they only get to work every other Saturday).

Any employee working less than 30 hours per week is considered part time and does NOT receive paid vacations, sick days, free business cards, exclusion from service charges, must share a station and must book all work during Green and Yellow booking times (see Booking ideas earlier in this report).

Track all employees hours on the time clock.

Commissions:

Develop a ladder commission that only pays the extra percentage on the extra dollars earned (not retroactive to dollar one). Make the percentage increases 2% or 3% based on increasing sales about $ 150.00 per level. This gives the employee a continuing goal to aim for.
Commission example:

Guarantee $290.00 per week to all 40 hour employees

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<tr>
<th>Percentage</th>
<th>From $</th>
<th>To $</th>
</tr>
</thead>
<tbody>
<tr>
<td>47%</td>
<td>$651</td>
<td>$800</td>
</tr>
<tr>
<td>49%</td>
<td>$801</td>
<td>$950</td>
</tr>
<tr>
<td></td>
<td></td>
<td>no product charge</td>
</tr>
<tr>
<td>51%</td>
<td>$951</td>
<td>$1100</td>
</tr>
<tr>
<td>53%</td>
<td>$1101</td>
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</tr>
<tr>
<td>55%</td>
<td>$1251</td>
<td>$1400</td>
</tr>
<tr>
<td>57%</td>
<td>$1401</td>
<td>$1550</td>
</tr>
<tr>
<td>59%</td>
<td>$1551</td>
<td>$1700</td>
</tr>
<tr>
<td>61%</td>
<td>$1701</td>
<td>$1950</td>
</tr>
<tr>
<td>63%</td>
<td>$1951</td>
<td>$2100</td>
</tr>
<tr>
<td>65%</td>
<td>$2101</td>
<td>$2250</td>
</tr>
</tbody>
</table>

Note: this is an example of ladder commission levels. You must work with your consultant to set levels that will meet your sales and profit criteria.

Using this pay structure an operator that brings in $1100.00 per week will earn:

Base guarantee $290.00
Commissions 47% $70.50 on 651 to 800 in service sales
Commissions 49% $73.50 on 801 to 950 in service sales
Commissions 51% $76.50 on 951 to 1100 in service sales

Total compensation $510.50 Average 46% of sales in compensation

Product and Service Charges:

Many of our salons/spas are setting up product deductions or service charges to stop paying commissions on products used in a service and to help cover part of the overhead.

You could raise the commission percentages at each level if you set up a product charge and service charge. These charges will take the cost of professional products "off the top" and will create an education fund and savings plan for each operator.

Set up a product charge taking the cost of products off the top before paying commission (this needs to be done with a price increase). This should average about 10%. When an operator reaches service sales of $1000.00 per week, the salon/spa will absorb the product charge.
Service Charge Ideas:

Set up a service charge of $1.00 per service. This charge will be split as follows:

- 25% of the dollar will go to the operators' education fund to be used for advanced education, shows, and travel expenses

- 25% of the dollar will go to marketing including the Birthday and Referral programs the salon uses

- 25% of the dollar will go to salon remodeling (the average salon increases sales 20% the year they remodel)

- 25% of the dollar will go to a profit sharing fund in which the employee will be fully vested after five years

The service charge will be absorbed by the salon every week that the operator reaches $1500.00 per week in service sales. This rewards your top producing operators and makes the service charge a "right of passage" in the salon's culture.

Creating an Education Fund:

Taking the $1.00 per customer service charge and using .25 cents of that dollar in an education fund will generate a large personal education fund. An operator doing $800.00 per week with an average ticket of $20.00 will create an education fund for themselves totaling $520.00 per year.

$520.00 per year could be used to attend the Midwest Beauty Show with ALL expenses paid. $520.00 could be combined with other operators' education funds to get a monthly in-salon education class from top name talents. The potential is unlimited when a fund like this is put into place!

Creating an Employee Savings Plan:

Using the same example operator just a 25 cent-per-customer service charge will generate a savings plan, using simple interest, of over $3250.00 in FIVE years!

Compensation for your administrative and reception staff should be based on a base salary or hourly pay plan with bonus incentives for gift certificate sales, override commissions for increases in retail sales over present levels, and prebooked customers (booking future appointments with customers before they leave the salon).
**Bonus and Rewards Systems that increase sales**

Use a bonus override that rewards a department or salon/spa manager with a percentage of sales when the weekly goal is met. MIKAL allows you to set up the goal in the compensation system and figures commission automatically. Make managements compensation based on the overall achievement of your business goals!

Use Spread Sheets to look at the “what if” of it:
Spread Sheet Information
This sample is courtesy of Amada’s in Chicago. The point is to figure out station by station and based on burden (or overhead) the amount that needs to be generated in sales.

The model is based on a base hourly pay and a commission after the breakeven (plus some profits) is achieved.

Give the appointment booking staff the ability to upsell services to customers. McDonalds doubled their French fry sales at the drive thru window just by asking "will that be a large" when people ordered French fries! Have your appointment booking staff recommend a conditioning service at half price to every haircut customer, or a manicure for half price with every chemical service. Have the receptionist code the appointment for the service and give the receptionist a $1.00 bonus when they upsell the extra service. That way the services you are trying to build are "upsold" and the receptionist has the ability to make an extra $1.00 to $5.00 an hour!
Combine the Preceptionist Analysis and the Receptionist Goal reports to see who is helping to move your business forward!

**Employee Goal Setting:**

A dynamic payroll program without a good goal setting and feedback system will never generate the increased sales that you need.

Using our sales analysis system you will track sales in up to 50 categories on each operator over the first few months that you use the system. By looking at their sales, and the commissions they are earning on the ladder system, you will set goals that will take them to the next commission level in service and retail sales. Every week you will give them an evaluation report that shows current sales in each category, their goal, and the percentage achieved. (see the compensation example)

The average operators will increase their sales over 10% a year if they are put on a goal setting system that has achievable goals and gives regular feedback.

Let’s do some projections on profits based on clients done and costs of staff!
EMPLOYEE ANALYSIS REPORT

Here is the next generation in management reporting from MIKAL. The Employee Analysis Report combines sales activity and retention information into one easy to read and communicate report. This report is date sensitive. You can select any range of valid dates to see detailed employee analysis.

The Date selection allows you to select the numbers of days of sales analysis you want to review. From those dates the Service and Retail sales totals are accumulated.

The customers total shows the total customers serviced during the time period selected, the number and percentage of customers receiving services only and the percentage of service only customers.

The New Customers column shows the number and percentage of new customers serviced during the date range selected. The new customer percentage is the percent of new customers to total customers serviced during the date range selected. This shows the mix of new customers that are being given to each employee during the dates selected. The totals at the bottom of the report show the overall percentage of new customers.

The 3+ Visit Customers column shows the number and percentage of customers serviced by each employee for the last 12 months based on the Ending Date selected in your date range selection (shown at the top of the report). This is the number of truly retained customers – those customers coming to the employee for at least 3 visits during a 12 month period. The percentage of 3+ visits compares the total customers serviced to the 3+ visit customers.

The Lapsed Customers 6 months + column shows the total number of customers in the system that have been to the employee that have not been back in the last six months based on the ending date selected for the report.
TAKE CONTROL OF YOUR BUSINESS

Here are some quick business building (saving) ideas that need to be put in place ASAP to turn a business around.

Why not operate this way all the time???

- **Get relief from your landlord.** Send a letter asking for a rent adjustment till the business gets back on its feet. Ask for six months free, or four months prorated over the next 18 months. They don't want you to go out of business!

- **Inventory** - return everything is not a hot seller. Get a credit and use the credit to buy only the hot selling items and items needed for the most popular services. Redo the retail displays with product info, theme displays, baskets etc . . . so the retail area still looks full.

- **Any inventory you can't return put on a sale table and get rid of it** for 10% over cost. Put a big sale sign on the table and mark it down!

- **Vendors** - call them and tell them you need 90 days on this bill and will keep current with all present orders. Have them hold the old bills for 90 days and pay COD for current orders. Do not fund the cash flow of your business with your vendor's products!

- **Review all of your staff costs.** Who can go? Whom can you cut back? Who is doing things you can do? Cut the assistants, receptionists, cleaning people, anyone whom you can cut back. Feel bad about it? Would they feel bad if they left you for a higher paying job?

- **Take no money** out of the cash drawer or petty cash. Period.

- **Check for cash problems** at the front desk. Is your inventory count correct? Is your cashout correct each night? A $100.00 theft takes $1000.00 in sales to make up the net profit!

- **Stop all marketing that is not directly tracked to increased sales.** Get rid of the image ads. Only work on internal marketing. Get the referral program going, get the phone calls going to new customers and customers who have not been back in a while. As the owner call customers who have been coming for a long time and have stopped recently. Find out why!

- **Sell gift certificates at a big discount** - great cash flow and 25% don't get redeemed!

- **Talk to your 20 best customers.** Offer to sell them $1500.00 in services for $1200.00 up front. This will make you a fast $10,000.00 or more!
- **Look at your professional fees.** Make sure your accountant and attorney aren't costing you more than 2% of sales. Use them for consulting, not data entry!

- **Look at every expense category.** Where can you cut? How can you give your customer more value without spending more money?

- **Close the salon during slow times and days.** Consolidate slow days and save utilities, hourly wages, and effort.

- **Find new staff** that is willing to come in and help turn the business around. Give them a year end bonus (spelled out in advance) when the turn around happens. Make the same deal with your present staff. They need to know where you are going. Ask them where expenses can be cut.

- **Get those old customers back in.** Send them a one time irresistible offer. Limit it to the next 30 days only. Don’t do any specials during the holidays. You will be busy anyway.

- **Raise your prices NOW.** If you raise prices 20% you can lose 20% of your customers, save 20% of your time, and still make as much money!

- **Get rid of all magazines** in the front waiting area and only have style books. Discontinue any consumer magazine subscriptions.

- **Have an empty station?** Turn it into a styling station the customers can use for that final touch up they like to do before leaving the salon. Stock it with product and make sure they know the product is available for sale as well.

- **Get behind your front desk and see what is going on.**

  Are you ready to take the next step to success?

Call MIKAL and let us design a system and implementation plan that will take your business to the next level.

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