

THE INSPIRED ESTHETICIAN

Pricing Your Salon Services: A Formula That Makes Sense

By Douglas Preston

You have a salon, spa or private Esthetics practice and want to know the best way to price your services. You've checked the local competition to find the "going rate" for facials, massage and other programs you'll be offering. They're all over the map, from low to high. You don't want to price too cheaply, but not overly expensive, either. Maybe the idea of being "affordable" appeals to you so you can be within reach of most consumers. This all seems to make sense, except it doesn't, not if making money in your business counts for anything. There's really only 4-things that matter in this decision. Here they are:

1. How much money you want to earn from your work
2. Your expenses (what it costs to provide services in your business)
3. Your prices (what you charge for services sold)
4. The sales volume (the sum income total from your sales)

Look at it this way: you need a job and have to live on the income you earn from it. In order to survive how much money would you need to be paid for your work? Here's a simple formula:

Monthly personal expenses:

Rent: \$1,000.00

Utilities: \$150.00

Car payment: \$300.00

Car insurance: \$100.00

Health insurance: \$300.00

Cable: \$100.00

Phone: \$80.00

Gas: \$150.00

Food: \$500.00

Clothing: \$150.00

Other necessities: \$500.00

Minimum total expenses (not including any savings) \$3,330.00.

Now, let's assume that at least 1/3 of your earnings will be deducted for taxes. You will need to earn about \$5,000.00 per month to cover everything. Assuming that you'll work a full-time week of 40-hours (40-hrs. x 4-weeks = 160 hours per month) then:

$\$5,000.00/160 = \31.25 . Your job must produce \$31.25 hourly (including gratuities and retail commission) in order to meet your monthly expenses.

Pricing salon or spa services must follow the same basic logic, though this essential strategy is seldom used. That omission results in a money shortfall experienced by many beauty practitioners and entrepreneurs. Concepts like "going rate", cheap, expensive, or "affordable (whatever that means) are not applicable when you factor in cost of operations and the leftover money an owner needs for her or his living. Understanding this, here's another formula, in this case for a small, independent Esthetics practitioner. This is an extremely rough sketch but I think you'll get the point.

Using the earlier model we'll assume that you need to earn \$5,000.00 monthly for your living expenses. Beyond that let's estimate that your costs as an independent renter are as follows:

Monthly expenses

Salon rent: \$1,000.00

Utilities: \$150.00

Internet/website: \$125.00

Professional supplies: \$400.00

Marketing/advertising: \$300.00

Licensing, insurance, accounting, banking, etc.: \$250.00

General supplies: \$150.00

(not including retail inventory)

Monthly total: \$2,375.00

Combined expense total (\$5000.00 + \$2,375.00): \$7,375.00

Okay, \$7,375.00 monthly/4-weeks = \$1,843.75 per week minimum required income. If you plan to operate 5-days per week: $\$1,843.75/5 = \368.75 per day minimum required income. If you plan to perform facial services only, as I do, and plan to do no more than 5 per day (I do 6-7), then the minimum you can charge for these services, with all appointment times filled, to make your daily required minimum is: \$73.75. This total does not include potential gratuities or retail profits,

simply service fees. Now, if a 4-day service week is preferable to you, and with the same 5-treatment per day maximum desired, the formula changes thusly:

$\$1,843.75/4\text{-days} = \460.00 per day minimum required income. $\$4600.00/5\text{-facial appointments} = \92.18 . Your facial treatments will need to be priced in that range for the service fee alone to cover your total monthly expenses. Of course, if you want to earn even more income then you'll need to adjust the calculation accordingly.

No, it doesn't seem like fun work to plan your service fees this way but, take it from an expert who has seen many a business succeed and fail, it's the wisest approach.