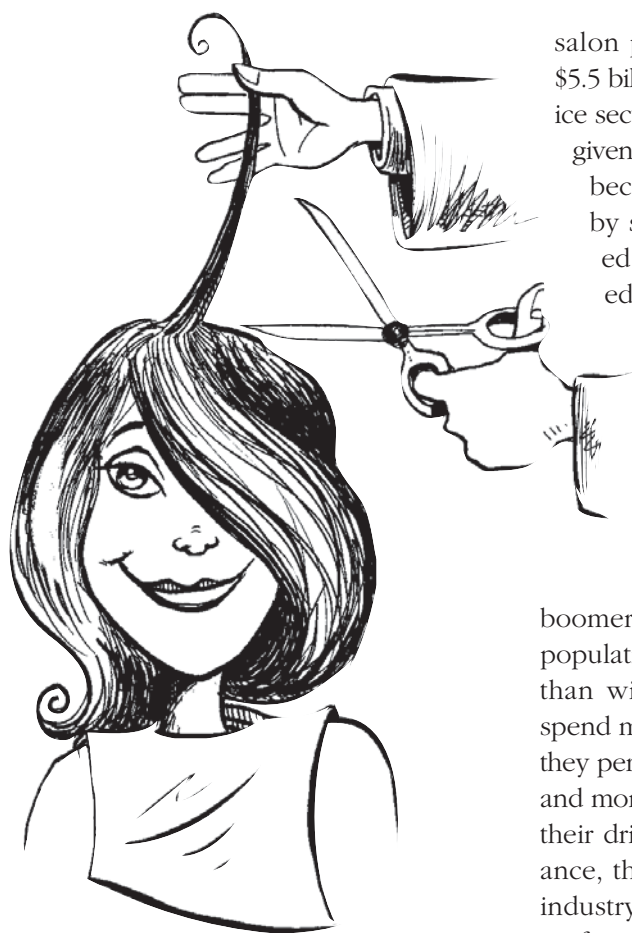


Chapter 1

Hair Today, Hair Tomorrow



Since the dawn of the new millennium, the stock market has been in a freefall and the economy has been in the doldrums. But it was a good time to start a hair salon and day spa—and it still is today.

According to BizStats.com, an online small-business statistics source, in 2002, there were 1.4 million personal care services in the United States, 313,000 of which were beauty salons. The salon service industry alone had revenues of \$55.9 billion, up 3.2 percent from the previous year, while

salon product sales rose 3.8 percent to \$5.5 billion. How was it possible for a service sector like the beauty industry to grow given the state of the economy? No doubt because many of the services offered by salons simply cannot be duplicated at home—or at least not duplicated well. In addition, in an age where people freely shell out \$59.95 a month for unlimited cellular service or hundreds of dollars to lease the latest SUV model with the most bells and whistles, the price of a haircut probably doesn't seem very high considering the lift it can give your spirits. Also, the baby

boomers, who now constitute the largest population segment in America, are more than willing and are financially able to spend money on any personal care service they perceive will make them look younger and more attractive. No doubt as a result of their driving desire for a youthful appearance, the hair color segment of the salon industry continues to grow, according to Professional Consultants and Resources, a Plano, Texas, marketing and consulting firm. Coloring alone brought in \$10.4 billion for the beauty industry in 2002.

The spa industry is faring equally well. According to the *2002 Spa Industry Study* published by the International Spa Association, the industry grew 114 percent between 2000 and 2002, while the number of spa visits grew 71 percent between 1999 and 2001. The U.S. spa industry totaled nearly \$11 billion in revenues in 2001, a little more than half of which was generated by treatment rooms like those found at des-

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tainment spas. The generators of a significant portion of the remaining revenue were beauty salons and retail products. And if that's not enough to make you think seriously about starting a day spa when you crank up that new hair salon, consider this: 68 percent of the nearly 156 million spa visits made in 2001 were made to day spas.

Earning Potential

What all this prosperity means to you is that the prospects for people who own personal care businesses are bright. The *2003 Job Demand Survey*, distributed by the National Accrediting Commission of Cosmetology Arts and Sciences, indicated that average total income (including tips) for salon owners was \$53,150 in 2002, although it's possible to earn much more depending on where and how you do business. For instance, two salon owners earned \$120,000 in 2002. Both expect to do even better in 2003.

A search of the Internet revealed that there isn't any other data available to indicate exactly how well the owners of salon/spas are doing. So suffice it to say that total wages and salaries for the estimated 282,000 employees in the spa industry were almost \$5 billion across the entire industry in 2001. And the figures keep growing every year.

A Look Back

Although the recent interest in personal care services may seem like a new trend, the reality is that hair care has long been a part of human culture...in fact, probably for as long as humans have been on the planet. The earliest record of personal hair care dates back 2.5 million years ago, when brushes used to create cave paintings in Spain and France were adapted for use in hair grooming. More recently, archeologists have found evidence that cosmetics were used by the Egyptians as early as the fourth millennium

BC (for proof, just check out the golden sarcophagus of the boy king Tutankhamen with its heavily painted visage), as well as ancient artifacts of eye makeup.

Although hairdressing techniques have evolved throughout the ages, some things have stayed the same. Primitive men, including Native Americans, tied feathers, beads and other objects into their hair, which they wore long and flowing to denote status and intimidate enemies. Persian noblemen curled their hair and beards, and even used henna to stain them red. Men often wore wigs throughout the ages, including during the 18th century when their wigs were powdered and styled with a queue, or long ponytail, that hung down their back. Women were equally fashionable throughout history, using yellow soap to dye their hair blonde in republican Rome, or coiling their tresses into styles that at times were covered by a caul (net) or embellished with jewels or golden ornaments.

Interestingly, many of the innovations in hair design that are still with us today originated in the late 19th century. The Marcel wave, also known as the finger wave, was first created around 1890 using heated irons. The hot-blast dryer, which evolved into today's blow dryer, was also invented at this time. Madam C.J. Walker, a former slave, formulated products that could soften and straighten the hair of black women. She later became the first African American woman to earn \$1 million. The first electric haircutter, consisting of a comb with a platinum wire that was heated and used to burn



Fun Fact

The first known school for hairdressing in the United States was established in Chicago in 1890.

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Industry Historical And Growth Projections

Year	Total Salon Industry Revenue (in billions)	% Growth Over Previous Year
2002	\$3.0	3.8
2003	\$3.2	3.6
2004	\$3.3	3.8
2005	\$3.4	4.0
2006	\$3.5	4.1
2007	\$3.7	4.2

Source: Modern Salon/Vance Publishing

off the ends of the hair, was invented around the turn of the century.

A Look Forward

It wasn't uncommon for hair to be scorched by these hot tools until it was the texture of coarse wool. Nowadays, hair-care techniques are much gentler, and the reasons people choose to visit salons are diverse. These reasons include:

- They want to look great for a special occasion, like the prom, a wedding or a party.
- They want the same 'do as their favorite celebrity (who could forget Jennifer Aniston's choppy layers or Farrah Fawcett's feathered sides?).
- They want to change their look by perming, coloring or straightening their tresses.
- They want to correct the damage caused by overprocessing done by amateurs (themselves included).
- They want to update their look (like eschewing the Jackie Kennedy bob they've worn since Jackie's husband was president).
- They want to look like a new person (like going from mousy brown to ravishing red).

All this is good news, considering the bad hairdos that have been popular recently

(think mullets and Technicolor mohawks) and the trend toward gleaming chrome domes as sported by NBA players in the past decade. So now your mission, should you choose to accept it, is to start a great new salon with the right rep so people will leave the boring salon they've been frequenting and make a mad dash to your door.

The Opportunities

There are three ways you can make your mark on the hair industry. You can open a franchise hair salon, in which you pay money upfront for the privilege of opening that salon using someone else's established name (which gives you an instant reputation) and its resources (like advertising campaigns). You can buy an established salon from someone who is retiring from the business, has tired of the business, or has damaged the business and forced it into bankruptcy (all three happen every day). A third option is to establish your own salon using your own money, your own ingenuity and your own optimism that hard work and talent will win out.

While you'll find a list of well-known hair franchises in the Appendix of this book, the

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Salon Savvy Survey

Take this short quiz to see if you have what it takes to be a successful salon/spa owner:

1. Can you supervise and motivate giggly teens, chatty 20-somethings, menopausal manicurists and the other 64 common types of employees? Yes No
2. Has your hair been at least two different colors in the past six months?
 Yes No
3. Can you juggle up to a dozen tasks at once for 12 hours straight and still have enough energy to drive home at night? Yes No
4. Do you prefer to nap in the nearest hydraulic chair rather than go home?
 Yes No
5. Do you do windows and fold towels? Yes No
6. Do you like to do windows and fold towels? Yes No
7. Can you write massive tax payment checks to the IRS every quarter without staging a four-county taxpayer revolt? Yes No
8. Would red ink on your balance statement make you sob more than the film “An Affair to Remember”? Yes No
9. Would you cringe if someone playfully referred to your salon as a “clip joint”?
 Yes No
10. Do you automatically rotate hair-care product bottles on the shelf so the labels are facing out, even in the grocery store? Yes No

Scoring:

9-10: You're a shear genius.

5-8: Your career is lookin' good.

1-4: Better get set for a long learning curl.

0: Keep buying those lottery tickets.

Hair Salon & Day Spa

real focus of this how-to guide will be on starting your own salon/spa from scratch. And just as a side note: When we say “salon” throughout the book, we mean salon and day spa, as the title



Stat Fact

There are approximately 1.6 million cosmetology professionals employed in salons and barber shops in the United States.

on the cover of the book indicates. Since the tools necessary to open both are basically the same, it seemed redundant to say “salon/spa” over and over. The specifics relating just to the spa end of the business, from the types of equipment needed and the types of services you can offer, are discussed in detail in Chapter 8.

By the way, before we move on to the nuts and bolts—or shall we say the shampoo and conditioner—of the salon industry, there is one more type of salon that bears mentioning here because it's so prevalent in the beauty business. Booth rental salons are owned by a person (or persons) who basically is the landlord for a group of hairstylists and other service providers working under his or her roof. As the landlord, the salon owner/operator collects a flat monthly fee from the service providers, for which they have the privilege of using salon space and nonremovable equipment like a styling station and chair. The renters, in turn, are considered independent contractors who must provide their own supplies (everything from hair dryers to perm rods), set their own hours, book their own appointments and have their own key to the building.

Or at least that's the way the IRS expects booth rentals to work. If you pay your renters a commission, provide items like backbar supplies and towels, schedule ap-

pointments, process credit card transactions, and/or offer benefits like paid vacations and insurance, then you have employees rather than independent contractors. And you can be sure that the IRS will not smile benevolently upon your fledgling business venture if you try to pass them off as independent contractors.

If you'd like to know more about the distinctions between employees and independent contractors like booth renters, pick up a copy of Publication 1779: *Independent Contractor or Employee*, from the IRS Web site at www.irs.gov or your local IRS field office. But for the purposes of this book, we'll assume you are not establishing a booth rental operation, but rather a full-fledged salon and day spa.

So what does it take to be a successful salon/spa entrepreneur? First, it helps to be a risk taker, says John Palmieri, owner of Scizzors in Shrewsbury, Massachusetts. “It's to your advantage to jump in and just do it,” Palmieri says. “Don't overanalyze the process or you won't get anything done. Take a chance—open the door and start letting customers in.”

Leslie Rice, co-owner of Goldwaves Salon and Spa in Fort Worth, Texas, believes you have to be willing to try anything to succeed. “If you're scared, you'll hinder your growth. Instead, go for it, then re-evaluate what doesn't work and fix it,” Rice says.

“You have to be able to see the big picture and not get bogged down in the details,” says Sasha Rash, owner of La Jolie Salon in Princeton, New Jersey.

According to Vander E. Harris Jr., president of the National Black Hair Association, “You have to have determination and an entrepreneurial mind-set to be successful. You also need vision and goals.” Take the “Salon Savvy Survey” on page 4 to find out if you're cut out to own and run a salon.

A thirst for knowledge, a strong constitution and an indefatigable spirit are also traits

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the entrepreneurs interviewed for this book said were necessary for success. Now add a dash of humor and a pinch of determination

to that mixture, and you definitely have a recipe for success. We'll help you get cooking with the advice found in this book.