

News Dedicated to Grow your Salon Business

Monthly Quotes

"You miss 100% of the shots that you never take!"
- Wayne Gretzky, Famous Hockey Player

"If you know what to do to reach your goal, it's not a big enough goal."
- Bob Proctor, Author and Speaker

"People often say that motivation doesn't last. Well neither does bathing – that's why we recommend it daily."
- Zig Ziglar, Famous Salesman and Speaker

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OMG, He's Back!

That's right it's January 2012...and I told you I was going to resume my client newsletters this year. (just trying to keep up my commitments...ya know). I went away from these newsletters in 2008 because I thought that it would be more efficient to send weekly emails to clients instead. But this is what I discovered...

Only about 30% of my clients ever open up the weekly emails. Maybe it's just too much information on a weekly basis...I don't know. So I never get to communicate with the other 70%. Which to me...is a big number that cannot be ignored. So, starting this year...I will be doing both. The newsletters are printable as well (if you like a hard copy) right from your computer. Which leads me into my first diatribe.

If you've not been getting my FREE weekly emails (for God's sakes) send me your email address. I try and communicate with you on a weekly basis and email is the only effective way to do that. So, take a few seconds and send me an email with your salon name, location and email address...and I will add you to my list. My email address is ssampson@hairmaxsoftware.com.

Ok, moving right along...

As you know, 2012 is shaping up to be a pivotal year. Those bozos in Washington will always do their best to place land mines in everyone's path to advancement...but we must prevail (just to spite them anyway). Who knows, there's always that "outside shot" that the blind squirrel finds the nut...right? And Lord knows we have plenty of blind squirrels in Washington!

Ultimately, whether its Obama or Romney at the end of this year winning it all...I don't think its going to matter all that much. Four years ago, I voted for Obama because I wanted "change" from the status quo. I mean...what was I thinking? All these guys are the same...entrenched politicians that only care about their own political careers.

I mean can anybody give me a good reason why we don't have an energy policy today? Why cars and trucks are not running on natural gas? It is lunacy. If you want to watch a good movie on what "politics" are all about...watch the George Clooney movie the "Ides of March". Very eye-opening and entertaining.

So, do yourself a favor and don't expect our fearless leaders to help us out. They only bail out the bankers and billionaires that don't need the bailouts. We, common folk, have to pull up our bootstraps and survive. But, the people that founded this country had to do the same thing...so I guess its not all that bad. I mean, it could be worse...we could be Greece.

Here's something that you need to remember...

Even in the worst economies...people succeed, entrepreneurs open up businesses, and people spend money. And this time will be NO DIFFERENT. For the most part, there's an endless amount of money floating around and it's your job to get your fair share. And if you aren't right now...then this newsletter might just open your eyes (wide enough) to see why not.

Most of this newsletter is dedicated to the whole idea of pricing in a salon. Maybe you never really thought about it in great detail before...but pricing is a critical factor in whether a salon is successful or not.

If you have higher prices...you can make more money. If you have more money...you can market more and attract more new clients. If you attract more new clients and learn how to retain them better thru creating a better salon experience, increasing staff education, etc...you will make even more money. It's a virtuous circle. Because at the end of the day...

You deserve to make a great living. And if you aren't right now...I'm sure it's not because of a lack of effort. It's more likely a combination of starting out with the wrong information and following in the footsteps of another person that is no more successful than you are right now.

You see...that's unfortunately happened to a lot of salon owners. And when you read the controversial section that I've written in this newsletter called "How Did Your Come Up With Your Prices Anyhow"...you might see a lot of you in that article. So, be on the lookout!

But first a little housecleaning...Here is one thing that you need to do RIGHT AWAY.

Check to make sure that your HairMax system is backing up your data.

Don't be one of those salon owners...who call me up when the computer crashes and has no backup. This happens once a week like clockwork. On average (last year) it ran the salon owner anywhere from \$500-\$1500 to recover the data. Let alone the 2-3 days of having no idea what clients were coming in. It makes no sense.

Look, I have no vested interest in recovering data. In fact, we don't even do it. We have an outside company do it. But it takes a minute to see if your HairMax system is ACTUALLY backing up your data. In fact, HairMax version 11.6 will even tell you (every day) whether a successful backup was done the night before.

Another great reason to at least think about getting your HairMax system updated if you are not on the latest version. That feature is just one of the great feature upgrades we did in the last version. (see more later)

Anyway, here is how you check to see if your automatic backup is working...

1. In HairMax, click File and then either Database Setup or Database Manager
2. Click the Auto Backup tab and the setup will be displayed

3. The setup should say “Backup HairMax every 1 days at (some time) and to (some device). The box where is says the “to:” will be telling you where HairMax is backing up your data. If there is nothing there...then HairMax is not backing up anything.
4. The first letter in the “to:” box is the important one. If it says “E” then HairMax is backing up to Drive E. If it says “F” then HairMax is backing up to Drive F.
5. Once you know the drive letter...then go out to Windows, Click Start, My Computer, and then double click on the Drive letter (removable disk) that corresponds to what you identified in step d .
6. The computer will display the contents of that drive. You should see a file called hairmaxdatabase_auto_backup. And if you click on it...it should display the LAST time/date it was modified. That should be yesterday.

If you have any questions about the backup or checking the backup, call our office 800-424-7629 and we can log into your computer and check the backup. It’s really important. Don’t play games with this one.

Alert - Have You Accidentally Commoditized Your Business?

According to BusinessDictionary.com, the definition of a commodity is this:

Almost total lack of meaningful differentiation in manufactured goods. Commoditized products have thin margins and are sold on the basis of price and not brand. This situation is characterized by standardized, ever cheaper, and common technology that invites more suppliers who lower the prices even further.

A good example of a commodity that we all know is gasoline. I mean...gas is gas is gas. Basically, most of us just buy the lowest price. Sure, there is a difference between “regular” and “super”, but the super premium at Mobil is the same as the super premium at Shell. It’s all basically the same.

The same is true with convenient stores. If you’re looking to pick up some milk on your way home, you won’t travel across four lanes of highway to go to a 7-eleven versus a Circle K or a Dairy Mart that is on the same side of the street as you. Basically, there is no real differentiation in your mind.

Well, if I ask you “What makes your salon different than any other salon in your area?”...can you give me a good answer? Take yourself out of your salon owner shoes and put yourself in the client’s shoes. Is there anything that makes your salon really different?

If you can’t come up with at least one big thing (right at the top of your head) then how can you expect your potential new clients to? This is a problem for most salons. You really need to give it a lot of thought.

Think about this. What does your client actually want?

Heck, some clients just want to get their hair shorter and “cleaned up” until their next visit. For the most part, those are mostly men, children and women who don’t want to spend a lot on money on their hair. Am I right?

Well, to them, price and convenience are the overriding factors that determine where they go. And when a Great Clips opens down the street and offers \$7.95 haircuts...all of a sudden you have competition. This is the worst possible position that a salon can be in because the ultimate driver is price. Ok, now let’s take it up a bit.

Think of your very best clients...the clients that spend the most money in your salon... maybe your top 20% (who spend 80% of the money BTW). What is important to them? Well, if we were to make a list..."low price" would not be in the top three. In fact, it probably wouldn't even be in the top five.

Clients want to feel younger, more attractive, want a different look, be pampered, escape from their stressful lives, make their friends jealous, feel like part of a group, etc. Price is not necessarily on their mind.

So, if I asked you to raise your prices by 10%...would you feel comfortable doing so?

Now if you just finished raising your prices within the past year by this amount...a "no" answer would be acceptable. But if you haven't...why aren't you comfortable with raising your prices? Look, you and I both know that the cost of doing business has gone up by at least 3-4% **every year** for the last 10 years. So, why don't you raise your prices?

Well, here is the reason....

Because you think that you will lose clients. Clients that you cannot afford to lose. But in reality, your profit is getting squeezed and you're afraid to do anything about it. This is not an enviable position to be in. Think about it another way.

If you're afraid to raise your prices for fear of losing too many clients...then that means you have essentially commoditized your business. **You believe that price is the overwhelming determinant on whether the client stays with you or not.** Your belief system is now out of whack and you need to get it back in line or you're on the road to ruin.

Let me let you in on a little secret...costs will always go up. Product suppliers will raise prices because they can. Paul Mitchell just raised their prices by 5%. Aveda seems to raise their prices every year. Goldwell raises their color prices all the time. Inflation alone will raise the prices for raw materials by 2-5% every year because that's what the government wants.

If you ask Ben Bernanke (the chairman of the Fed) what we want inflation to be "targeted" to...he will tell you 2%. But food prices and gasoline and heating oil have gone up *much more rapidly* than that over the last few years. Everything goes up in price...that is just the way it is.

According to AAA, the average price of a gallon of regular gas on January 13th, 2012 was \$3.39. The price one year ago to the day...was \$3.09. That thirty-cent difference is a 9.7% increase.

According to the Economic Research Service and the USDA...with 11 months of data recorded, the outlook for the 2011 Consumer Price Index (CPI) and food price inflation has become clear. The CPI for all food is **projected to increase 3.25 to 3.75 percent**. Food-at-home (grocery store) prices are forecast to rise 4.25 to 4.75 percent, while food-away-from-home (restaurant) prices are forecast to increase 2 to 2.5 percent.

So, if you don't increase your prices...you're giving yourself a pay cut. And you probably work more hours today to make up for the loss of profit. You can't keep doing that. So, what is the solution? Raise your prices by at least 10%. Nothing less. You will thank me in 3 months.

In fact, you will be shocked at how few people you will lose. Think about it this way, if someone raised a price on you from \$40 to \$44...would you leave? I'll answer that for you. You would only leave if you felt that the service you were getting **was no better than** another person charging a lower price for the same exact service.

Well, that is why differentiation is so important. That's why building a relationship is so important. Don't fear raising your prices. Spend your time thinking about how to make your salon different than everybody else's.

Start building a relationship with your clients...all of your salon's clients. People are interested in developing relationships with who they do business with. Let me ask you a question...

When you walked into your local coffee shop or local restaurant and the person at the desk or counter said "Hi Steve, how are you today...what can I get for you?"...How would you feel about that place? Probably pretty good...I would imagine. Those relationships matter to most people.

Well, what if that client also got an email from you every month with some pertinent information about beauty trends, hair care tips, maybe some celebrity news, and a little bit of personal info about the people in the salon woven in? Don't you think that they would enjoy reading it?

That would be called a newsletter and it's exactly what you're reading right now. Well, guess what...your clients would enjoy reading one of yours too. Don't make the mistake of *only* having a relationship with your own "personal" clients or only communicating "specials" or "discounts" to your salon's client base.

Eventually most people start to tune out "deal" emails after a while. Haven't you personally experienced that with the Groupons and the Living Socials, etc. You can only take so much. You get deal fatigue. Well, that is not the type of communication that I'm talking about. I'm talking about information-based "personal" communication between you and your clients...once a month. Anyway, think about it.

There are companies out there that can do it for you very easily. I like "physical" newsletters because I think most people would read them rather than email. But, you can start off with email ones to get your feet wet.

Ok I went off on a little bit of a tangent there...let's get back to pricing because it is such a huge part of whether any business is profitable or not...so...

How Did You Come up with Your Prices Anyway?

This is how many salon owners come up with their prices. Let's say they just opened the doors of their new salon. The first thing that they do is call around "to get a temperature of how business is done around here".

Almost like a kid being transferred to a new school half way thru the year. They want to fit in. So, they see what everybody else is charging and then they usually pick a spot right about in the middle...not too high and not too low. Which basically handicaps them for years to come.

Here is something that you need to understand. It doesn't matter what everybody else charges if your salon is truly different than every other salon in your area. There are a bunch of factors that determine what a person would pay for services.

1. Some people will pay more because of location (i.e. people know that Newbury street salons in Boston generally charge more than other salons in Boston).
2. They pay more for expertise. If a person knew that your salon specialized in a certain type of service and your expertise was well known...you could charge substantially more because of your skill level.
3. They pay more because the salon has exceptional customer service. They like being pampered, they like when the manager calls them by their first name when they arrive, they like that you offer them a coffee, etc .
4. Some people will pay more because your salon does the hair of "local" celebrities. Don't laugh. People really like to say at parties...oh do you know that my stylist does this famous person's hair?

5. People will pay more if the shop is run super efficiently. Clients like when people are on time and they like professionalism. They like consistency. If the salon is “club chaos” then they will run the other way eventually.

6. People will pay more if your staff is very talented. They will pay more if they feel that your salon *always* has the pulse of what’s HOT right now.

7. Some people will actually pay more...because they like to say that they frequent the most expensive place in town. Call it boasting, showing off, whatever. There are plenty of people out there just like this.

8. Some people will also pay more because your salon IS the most expensive place in town. They will only go to the top place and that top place (in their minds) is the most expensive place.

Those are just some of the reasons why people will pay more than the “going rate” for a service, but here is the really overwhelming reason why clients would consistently pay more for your services...

They feel that they have to...because they can’t really replace you.

You see...your income is merely a function of the skill level that you possess and how hard it would be for people to replace you. If you’re easily replaceable...then you can’t charge high prices. If you make yourself irreplaceable...you can charge much higher prices.

The easiest way to make your salon irreplaceable would be a combination of

1. Creating a relationship that people cherish
2. Coupled with high technical skills, and
3. Making people feel truly appreciated.

If you can do that...you will build a ring-fence around your clients and you will never again worry about NOT being able to raise your prices. Don’t you think 2012 would be a great time to start moving in this direction?

HairMax Report of the Month – Appointment Forecasting Report

Each month, I’m going to highlight a specific report in HairMax that I think is under-utilized by our users. This month it is one called the Appointment Forecasting Report. This report is located in the reports section of HairMax under the type of “Appointments”

When you access the report it will ask you for a “Start date”. This date should reflect the beginning of your next week. Remember, this report is a forecasting report...so it is designed to project out into the future. So, let’s say it’s the beginning of a new week, and I wanted to know what “sales” I already had booked for the next 6 weeks. This report will give you each week broken down by each employee.

It looks at what is already booked in the appointment book and multiplies that number by the prices that each particular employee charges for the scheduled service. So, it gives an accurate picture of how booked out the salon is in terms of dollars for the next 6 weeks. By the way, you’re not limited to just the next 6 weeks. You could pick a date 6 weeks from now and get a report that tells you how booked the salon is thru weeks 6-12 too.

Now, how can you use this report?

Well, one easy way is to show staff members the importance of rebooking appointments. If they're not booked out thru the next six weeks...who's fault is that? The reason that they feel some anxiety is because they have to "hope" that clients call in for appointments. Not a very pleasant situation.

The second thing that you can do with this report is use it as motivation to fill in the future weeks faster. In other words, if the next four weeks are slow, maybe you give everybody an incentive to add x dollars to the weeks by booking more add-on services, color services, etc.

Once people start running this report...it becomes a little obsessive. And the good news is that you start impacting future sales at a more deliberate rate and manner. Here is a copy of what the report looks like below.

P.S. If you don't have this report in your system yet...it might make sense to start looking at getting the latest upgrade of HairMax. HairMax 11.6 offers a tremendous amount of new features that will make your salon run more efficiently and profitably. You can check out the 4 videos explaining most of the great changes that were done in HairMax 11.6 right on the HairMax website...www.hairmaxsalonsoftware.com/hairmax-update.

Final Thoughts

Many of you are getting this newsletter for the first time. As I said earlier, I'm committing to sending out this client newsletter every month in 2012. The material that you see in here will vary greatly I'm sure...but each month you should get some sliver of knowledge that you can immediately put to work.

This will not always be a freebie however. Only those clients that have had HairMax for less than one year or have an active support contract will receive these newsletters after the third month. So, the first three are free and then you have to have at least the minimum HairMax support contract (\$19.95/month) in order to continue getting them.

It is obviously my hope that the material contained in here will more than offset the tiny monthly charge for HairMax support. (Think one latte a week). If you don't have HairMax support already...you're really rolling the dice in my opinion anyway. Why would you want to pay \$299 upfront when you have a question or problem with your software? That seems silly to me.

When you purchased HairMax (way back when) I'm sure that you envisioned using the program to its fullest. Well, that's precisely what these newsletters are really all about. The only thing I can tell you is this newsletter will become better and better each and every month going forward.

Think about the information that you get from your current vendors. Do they ever send you anything? Do they ever try and help you grow your business? My guess is that very few do.

My goal is to be the best vendor that you have...period. If you let me help you, I will. Remember the old Jerry McGuire line that Tom Cruise says to Cuba Gooding, Jr "Help Me...Help You". I will do my part...will you do yours?

Talk to you next month....Steve

P.S. Are You Interested in Increasing Your Salon Profits? Then watch my FREE 15-minute video that will tell you just how to do that in 2012. Education is the first step to making real changes in your business. Let me help you out. Got to www.salongrowthexpert.com