



# SHEAR KNOWLEDGE

MAXIMIZING YOUR INCOME

## How much can a salon owner earn?

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### The Profitability Formula

Regardless of the type of business you own, the profitability formula is always the same: Revenue (sales) minus Expenses. By far, the biggest expense in the hair salon industry is labor (payroll), which will average about 50% of total sales. Rent will run about 10%. Utilities, marketing, and overhead will run about 20%. *A general rule of thumb is that a business owner should earn about 20% of sales.*

### Net Profits

If a hair salon employs six stylists and does \$300K a year in sales, you should expect Net Profits to be about \$60K a year. While that might sound like a lot of money, keep in mind that from these profits you'll still have to make your debt service payments (ex: if you took out a loan to pay for your initial buildout).

A mistake many small business owners make is that they view these proceeds as cash that they can pocket personally. It's not, at least not until their bank loan is paid off which typically takes 5 years.

If you're struggling to turn a profit, you can either increase sales or decrease expenses. There's an old adage in the business world "**Sales cures everything**", and it's especially true in the salon business.