

# WHAT'S SABOTAGING YOUR

# Cash Flow



**YOU'RE WORKING YOUR TAIL OFF! YOUR APPOINTMENT BOOK IS ALMOST FULL MOST DAYS; YOU HAVE A WAITING LIST, ESPECIALLY FOR NIGHTS AND SATURDAYS; YOUR BUSINESS IS TURNING OVER MORE THAN IT WAS LAST YEAR AND SEEMS TO BE GROWING QUITE STEADILY..... SO WHY ARE YOU STILL STRAPPED FOR CASH?**

You don't understand it. With a full appointment book you'd think you'd be really quite profitable by now or at the very least, regularly paying yourself a decent wage and paying all your bills on time. But you're not. You're paying your stock account (now in 60 days) in instalments and racing off to the wholesaler because you're on stop supply until your next payment; you're barely scraping together the staff's wages some weeks and there's nothing left to save for BAS or even staff's PAYG tax or super and it doesn't look good for a full wage for you this week either.

On the surface, the business looks like it's booming but you know the real truth; things are tight. Really tight. So what's going wrong? I'll take a pretty good guess at it for you in just a moment.

I see many situations like this in my role as a coach: salons that look really impressive and appear to be turning over a fortune (and often are) but underneath, the

frustrated owner is tearing their hair out trying to juggle wages and stock and a myriad of other bills and remain sane and positive enough to inspire and encourage their team! Sound a little familiar?

Underlying most of these situations are the same few issues and I see them happening almost every day. Get on top of them and your business (and profitability) can really take off, but ignore them and you'll be struggling like this for years. The good news is that these problems can be easily diagnosed and with a bit of further investigation, we'll get to the reason/s behind them. The bad news is that fixing them will often require you to face a situation you've been avoiding and to make some tough decisions.

## **SO HERE ARE MY TOP 5 CULPRITS THAT COULD BE SABOTAGING YOUR CASH FLOW:**

**1. YOU'RE CARRYING UNPRODUCTIVE STAFF.** You know you're working hard and bringing in lots of \$\$ each

week but what about the rest of your team? The most common cause of cashflow issues in my experience is that the salon is covering wages costs that are far higher than they should be for your turnover. That usually means there are one or more people on the team who are producing way below their required target levels. They're nice girls and they turn up reliably day after day but they're cruising along in 2nd gear, taking it all fairly easily while you're working 10-15 extra hours every week to make up for their shortfall. You talk to them; encourage them; send them to endless training; design incentives and competitions to reward and excite them... but nothing seems to work for too long. They're just not interested in achieving targets; they just want to come to work without any hassles and do lovely treatments and go home. Nice gig if you can get it! Here's the thing: this type of staff member rarely seems to respond to any of your efforts and their non-performance is rarely a matter of more training being required. They just don't want to do it, so the reality check for you is... how long are you prepared to carry them? Because that's what you're probably always going to have to do with that person.

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That's where your wage is going. That's why you're struggling to pay your other bills. Not everyone is going to be a good match for your business or your expectations and that means sooner or later you'll need to let someone 'move on to other opportunities'. 'Coach, coach, coach ...replace' is my best advice for you followed by.... 'If the horse is dead... get off!'

## 2. YOU'RE NOT SAVING G.S.T., P.A.Y.G TAX, SUPERANNUATION & STAFF ENTITLEMENTS ON A WEEKLY BASIS.

If you have a heart attack every time BAS or superannuation is due or when you have to pay out a few weeks of holiday pay for someone, that's a clear sign that you are not saving properly and it's time to get organised. First of all, you must make sure that when you set your targets, you allow for superannuation, annual leave and sick leave costs and not just their gross wage, otherwise even if they do achieve their targets, you'll be struggling because the targets were too low. (Happy to help you with this if you send me an email to [kym@yourcoach.net.au](mailto:kym@yourcoach.net.au)). To give you an idea of how much difference this can make, these extra costs add up to around \$150 a week for an award wage senior hairdresser employed fulltime and with tax, you'll need to save around \$250 a week per fulltime award wage senior. Then, you must be disciplined enough to transfer that money into a second account every week and don't touch it until it's time to pay it out. That way, you are forced to run your business on what is really yours and therefore operate more efficiently, rather than borrowing money that isn't yours to spend. Imagine how lovely it will feel to just transfer money from your 2nd account to pay your BAS instalment or superannuation. Imagine never having to stress over paying out 3 weeks of holiday pay because it's already sitting there in your 2nd account, waiting... and earning you interest! I guarantee you that once you've experienced the feeling of having more than enough money to pay those obligations, you'll never go back to 'flying by the seat of your pants'!

## 3. YOUR PRICING IS NOT ADEQUATE TO COVER YOUR

**REQUIREMENTS.** Answer me honestly.... how did you arrive at the prices you are charging? Did you work out exactly how much each operator needed to bring in per hour, work out how long you would allow for every service and then set your prices accurately according to time/costs or did you look at what everyone else was charging and match them or undercut? If you set your prices solely on what someone else was doing, how do you know that they had any idea what they were doing either? Scary stuff! Another really common problem affecting cashflow is that your prices are unknowingly set (at least on some services) well below what you require which means every time you perform it at that price, you lose money and end up working many extra hours to make up the shortfall. It also means that even if every staff member was booked solid 100% of the time, it would still be impossible to make your targets- unless you were the world's greatest retailer! So much depends on getting this right so take the time to cost it out and make sure you price logically not emotionally.

## 4. YOU ARE OVERLOADED WITH STOCK THAT HAS BEEN SITTING THERE FOR MONTHS-OR YEARS!

Don't get me wrong, I'm not about slashing your stock budgets but I am all about making sure the stock you purchase is constantly turning over and making you money. Product that has been sitting on your shelf for months gathering dust is not doing anyone any good. Why isn't it selling? Education? Staff awareness? Marketing? Or is it just not the right product for your market? Whatever it is, do something about it. You can't pay your bills if your money is tied up in stock sitting on a shelf. Every 3 months print a product sales report and look for what hasn't sold well in that time, then work closely with your product company rep to strategize about how to improve sales on those items or sell it out on promotion, get your money back and put it back into products that do sell in your market. Also use the same report to show you how many of each product you sell, on average, each month and set your stock-on-hand level to be slightly more than this, then only order back to this level. If you

sell 6, in most cases I wouldn't see value in stocking 12. You may find an extra thousand dollars or so sitting on your stock shelves doing nothing! Turn that into cash as fast as you can.

## 5. YOUR RENT IS WAY TOO HIGH FOR YOUR TURNOVER.

This is a tricky one as generally, by the time you realize it's a problem, the ink on the lease is well and truly dry and you are locked in and the only way to fix the problem is to increase your turnover to make that rent figure more affordable. We work on rent being within a specific % of your turnover, depending on your location, so we can establish what you should be paying in rent for your turnover or, what your business needs to turnover to make that rent affordable. If you are committed to your location for a period of time, at least you know the figure you need to hit to make the problem go away or if you are coming to the end of your lease, it may give you an indication of the rent budget you have to spend on your current level of turnover should you choose to relocate to more affordable premises.

With each one of these profit saboteurs, knowledge is power. Once you know what's causing your profit-crunch you have options and choices and can step forward and take control by making different decisions, rather than feeling like you are barely hanging on to an out-of-control vehicle by your fingernails! But, to get different results, you must make different choices and take different actions. That means you can't do what you've always done and hope that the problems just go away. Change requires change. You're the one driving this thing so be very deliberate about where you want to end up and do what it takes to get there!



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