

Profit = Business Health.





7 Reasons Why Your Business May Not Be Healthy.

1. You cannot do everything. You are not a bookkeeper.
2. You may tolerate them, but you don't like numbers. Your numbers should tell you a story that that you should understand.
3. Managing business finances doesn't "just take an hour a day".
4. Your time should be spent growing your business and creating a world class work environment.
5. If you focus on what your Guest is experiencing and the results they achieve, your business will grow and you won't sweat the cost of cotton balls.
6. Paralysis by analysis is a painful process.
7. Profitability is what you need to understand, manage and grow.

Financial Change in 4 Steps



1. Define your intent.

- Envision your vision.
- What do you want your business to look like an accomplish?

2. Assess your current situation.

- Be honest. What you have been doing has gotten you here today.
- Are you where you want to be? Why or why not?

3. Create your plan.

- Where to you want to be? What are your expectations?
- Define targets that are clear, tangible and realistic.
- What do you want your business to look like 1, 3, and 5 years from now?
- Put your Financial Team in place.

4. Take action.

- Implement the plan
- Hold yourself accountable

Intention, Perspective

- Why are we in business? What is our Intent?
- Are you walking the thin line between fun and profit?
- Remember the mission statement, vision and business plan?
- Maximizing your profitability is a good thing
- Stay true to your business values.
- Utilize tools and information that help manage your profitability and equity.
- This information should be clear, usable, timely and accurate.





Are You Financially Well?

- You know your sales and sales mix and how they are trending
- Sales volume required to break even is clearly defined in practical terms.
- Direct Cost percentage - what it costs to produce and sell products and service is known and managed.
- Overhead Expenses are clearly defined.
- Profitability is known and there is a plan to improve it.
- Decisions are made using accurate information using defined procedures.
- Clear financial targets are defined with plans, tools and systems to meet them.
- Knowing where you stand financially creates financial wellness.

When you know where you are financially, you have a positive relationship with the profitability and financial direction of your business.

Clarity
creates
simplicity



Keep It Simple.

The numbers of your business should tell a story that you understand and use.

- Information should be clear, accurate and make sense.
- Financial statements should be available to you and reviewed regularly.
- An efficient system will allow you to access accurate information on a timely basis.
- If you are an over-analyzer, stop it!
- Profit management requires defined targets, monitoring and communication.

I would rather know how profitable I am rather than the cost of a cotton swab.



Organize Your Data.

- Arrange your Chart of Accounts in a format that provides clear, actionable information.
- Simplify. Less is more.
- Profit & Loss Statement & Balance Sheet should each fit on one page.
- These Financial Statements should show you last month's profit and equity.

Profit: Your Expectations



- **Sales**
- (minus) **Direct Costs**
- (equals) **Gross Profit Margin**
- (minus) **Overhead Expenses**
- (equals) **Net Profit (or Loss)**
- (minus) **Debt Service**
- (equals) **Working Capital**

Are You Profitable?

Where the \$\$'s Go....

SALES

- Products
- Services (by category)
- Packages
- **Don't include:**
 - Sales Tax
 - Rental Income
 - Gift Certificates,
 - Memberships
 - Interest,
 - Tips
 - Collections

100%

DIRECT COSTS

- Products for resale
- Professional Product, Back Bar
- Direct Labor
 - Wages
 - Sub-Contractor Pay
 - Front Desk,
 - Retail Commission
 - Payroll Taxes
 - Employee Benefits
- Guest & Spa Supplies
- Laundry & Linen
- Merchant Fees

55 - 65%

OVERHEAD EXPENSES

- Rent
- Repairs & Maintenance
- Advertising, Marketing & Promotion
- Utilities & Telephone
- Office Supplies
- Insurance
- Admin Salaries & Taxes
- Professional Fees
- Meals, Travel & Entertainment

25 - 30%

DEBT SERVICE

- Accounts payable
- Notes, loans
- Interest, Depreciation, Amortization
- Credit cards
- Leases
- Lines of credit
- Shareholder Loans

2½ - 10%

KPI's, Financial Targets...

1. Sales Mix: Retail to Service (15-30%)
2. # of Services
3. Sales per Hour
4. Retail per Guest
5. Average Service Sale
6. Productivity
7. Revenue per Guest
8. Revenue per Room
9. Direct Labor (20-40%)
10. Professional Supplies (10%)
11. Retail Cost (50%)
12. Gross Profit Margin (30-50%)
13. Overhead Expenses (25-30%)
14. Net Income (5-15%)
15. Debt Service (2½ -7½ %)
16. Breakeven Sales



Productivity is an indicator of business health.

- How many services are you performing?
- How many could you be performing?
- Monetize these by applying selling prices of services.

- Evaluate Capacity / Productivity
 - By category or service
 - By treatment room
 - By day or day part
 - By service provider

How does this compare with the previous year?



Data is Available. Use Your POS or EMR.

- Sales Breakdown
- Average Charge per Service
- Average Charge per Retail
- Room Utilization
- Year over Year Comparison
- Staff Performance





PLAN

Budget

- ***No Budget? No Roadmap, No Direction.***
- Moving forward without a budget will not provide the direction, tools, and targets you need to operate.
- Create a picture of where you plan to be
- Plan; What do I want this business to look like in 30 days, 6 months, 1 year?
- Be Clear.
- Implement the plan.
- Hold yourself accountable.

Small Changes Make Big Differences.

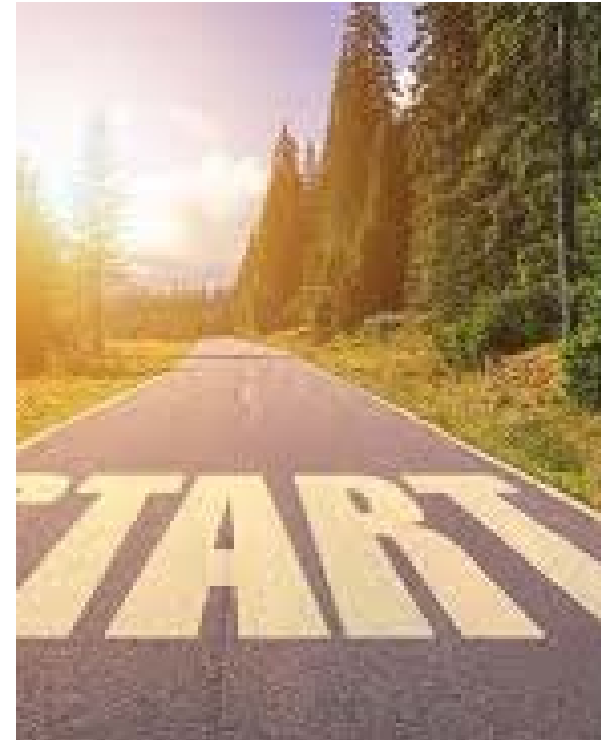
- **What if?**

- You did 1 additional service per day?
- Each practitioner increased productivity by 5%?
- You increased Gross margin by 10 points?
- Retail sales increased by \$1.25 per Guest?



Profit = Business Health. A 10 Point Plan.

1. Keep it simple. No paralysis by analysis. Less is more.
2. Define your business intent
3. Assess your current situation and know why you are where you are today.
4. Understand the story that your numbers tell you. Profitability is a necessity.
5. Implement systems and tools that allow you to clearly see your finances in real time.
6. Know your breakeven. Define tangible and realistic targets.
7. Use your POS system to gather the information it is designed to provide.
8. Use profitability and productivity to plan, manage and grow.
9. Create your plan. Hold yourself accountable.
10. Take Action.



Free consult? Let's Talk...



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