Your business lives and dies by its budget. Proper budgeting can help a business adapt to change, improve its services, and prepare for future growth. The bottom line changes as your business changes, and it requires constant attention.

With this in mind, we talked to one of the nation’s leading experts on business budgeting for the wellness industry. Monte Zwang of Bellevue, Washington, is a founding partner in Wellness Capital Management, a consulting firm dedicated to improving the bottom line for wellness-oriented outfits.

Skin Deep: What is the most common budgeting problem you see from your wellness clients?

Monte Zwang: People tend to manage too reactively. They don’t have a good roadmap for the future. It’s important to understand where you are today, then create a picture of where you want to go.

SD: What is the best solution?

MZ: Create what we call a Business Wellness Budget. This clearly defined plan can help guide your business. It deals with your resources, the money you have in the bank, how much debt you can take on, and how much profit you need to maintain and grow the business.

SD: At what point can a business phase out heavy discounting and maintain full pricing? Is there a typical time it takes to build customer loyalty that’s not based on price?

MZ: Discounts are important to get a customer in for the initial visit. They also work when you’re asking someone to invest in a package or program. They are not as useful for maintaining long-term clients. Practitioners who offer discounts are those who are trying to establish a business, or a new part of a business, not those trying to maintain themselves in the profession.

Customer loyalty is based on the quality of the service. You will build customer loyalty with fairly priced quality service, not heavy discounting. In fact, a business that needs to continually discount its services needs to question whether its prices were too high to begin with.

SD: With that in mind, is there a particular formula for when a business can start raising prices?

The Occupational Safety and Health Act (OSHA) of 1970 was created within the U.S. Department of Labor to encourage employers and employees to implement safer work and health practices in an effort to reduce on-the-job hazards. In 1992, they issued regulations, called the Bloodborne Pathogen Act, for the protection of employees from infection by bloodborne pathogens.

What is the risk to estheticians of exposure to bloodborne pathogens? On a daily basis, estheticians work around six mucous membranes (two eyes, two ears, the nose, and mouth), as well as when performing extractions during facial treatments, and waxing axillary and bikini areas. The possibility for exposure is there 24/7.

The general rule for protecting yourself from transmission of bloodborne pathogens: wear vinyl gloves and other protective barriers. Hepatitis B virus (HBV), the human immunodeficiency virus (HIV), and other infectious diseases are spread by direct contact through skin or mucous membranes. Preexisting lesions on hands from dermatitis or from injuries may provide a route of entry. The most threatening agents, such as mycobacterium tuberculosis or HBV, are not even the most publicized. We must assume every client could have some kind of bacterial or viral infection. The implements used by an esthetician should be, at best, disposable one-time-use items. These would include facial sponges and cloths, extraction tissues and cotton, brushes, lancets, and gloves.

Following strict sterilization and disinfection techniques is important not only for our clients, but for our own protection. There is a distinct difference between sterilization and disinfection. Sterilization is the destruction of all forms of microbial life, (bacterial spores, fungi, and viruses) in or about an object, by heat (steam or hot air), chemical sterilant (sodium hypochlorite, gluteraldehyde, phenolic, idophor), or gas (ethylene oxide).
MZ: Think of it like a hotel. It’s based on occupancy. If you’re so busy that you’re turning away business, then a slight increase in price is justified. Look at the market. If you charge seventy-five dollars for a particular service and everyone else is charging fifty dollars, there better be a reason.

SD: What are some suggestions for reinvesting in the business for future success?

MZ: Clearly define why you are unique and use that information to build a stronger clientele. Then make your clients your sales staff. Reward their loyalty and referrals by offering them discounted or complimentary services.

SD: How valuable are marketing and promotion for the typical skin care professional? If so, at what scale is advertising and promotion successful?

MZ: A rule of thumb is advertising should be about 5 percent of gross sales. But that may not be enough if you don’t have enough volume.

First and foremost, you should build your business based on customer satisfaction. Especially if you’re a smaller practitioner, networking and referrals are better ways to grow your business.

SD: What budgeting skill should all wellness business owners master before doing anything else with their businesses?

MZ: Again, make a Business Wellness Budget. Start by creating a picture of where your business is today financially. Analyze your sales, collections, direct costs, overhead, and debt service. If you know where you are today relative to those items, then you can better define where you want to go.

Also, you need to understand the ebb and flow of your professional season and what happens each month in your business. That way you’re not devastated by changes, and you understand what is happening when your work picks up or slows down at certain times of the year.

Too many people manage by reaction, not by plan. You can anticipate more than you think. You need a picture of where you want to be, then you can make appropriate changes.

SD: Is it necessary for skin care professionals to use an accountant? Is it possible for them to manage their accounting in-house, or with the help of accounting software?

MZ: Each accountant has a different specialty. One size doesn’t fit all. If you use an accountant, she should be used for tax advice and year-end tax reporting. I personally don’t believe accountants are necessary for a start-up business. They are competent for tax planning and historical financial reporting, but they don’t often work on cash-flow planning. Bookkeepers or other services are available for payroll, payroll-tax reporting, and monthly sales/excise tax reports. In order to have control and know what is going on, I recommend practitioners manage their own checkbooks, invoices, and collections. QuickBooks Pro is great for this, and is not difficult to set up or use.

SD: Any final words of advice?

MZ: Don’t be afraid of the financial side of your business. An accountant can help you with part of it; she knows the maintenance side. Then you just need to address the planning side. You’ll have the information to make decisions about growth and change, and then move forward.

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OSHA Bloodborne Pathogen Act

Disinfection is the process that eliminates many pathogenic (disease-producing) microorganisms on inanimate objects, with the exception of bacterial spores. (Spores are the reproductive agents of bacteria and are more resistant to cleaning.)

Fungi is a simple term for a group of yeasts and molds that can cause such conditions as athlete’s foot. Proper disinfection can prevent the spread of infection in the treatment room if the client is barefoot. Viruses such as HBV and HIV can spread through person-to-person contact.

The use of objects that have come into contact with blood or bodily fluids from an infected person can be easily transmitted through careless sterilization methods, so it’s very important to follow correct procedures.

The observance of strict sterilization procedures to prevent the spread of infectious agents is not just a matter of good professional conduct—it’s the law. The Centers for Disease Control in Atlanta, and your local OSHA office, may be sources of continuing updates to these guidelines. Also, be aware the OSHA is a nationally governed act under the Department of Labor and these laws supersede any state cosmetology board guidelines.

Notes: Each state cosmetology board has its own set of rules and regulations for sanitation. Check with your state board for applicable regulations. The OSHA Manual on Bloodborne Pathogens is available at www.pcijournal.com.

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Monte Zwang is a principal of Wellness Capital Management, providing cash flow and financial strategies to businesses in the wellness industry including medical practices, wellness practitioners and spas. Monte has been a consultant for more than 25 years, teaching business planning and cash flow management. Zwang negotiates sales, acquisitions and merger transactions. He is active in the Day Spa and International Medical Spa Association and spearheads their research projects. A graduate of Denver University Daniels School of Business, Zwang has been honored by Seattle Magazine as a Five Star Best in Client Satisfaction Wealth Manager for 2009 and 2010. For more information visit: www.WellnessCapital.com