



DOES TIME-BASED PRICING MAKE SENSE FOR YOUR SALON?

MAKING SENSE OF THE TICK-TOCK TALK ON PRICING FOR SALON SERVICES

vish

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Introduction:

There's a hot trend picking up traction in salons across North America. More salons are making a shift to time-based pricing for salon services.

What's driving the change?

Owners who have adopted this evolving "time-is-money" pricing model say it offers next-level transparency, better pricing consistency, and simplified business management. It's a model that clients love, and salon owners and stylists alike have come to appreciate.



READY TO LEARN THE DETAILS?

There's no time like the present—check out this exclusive white paper and salon case study.



WHAT IS TIME-BASED PRICING?

In the simplest terms, time-based pricing is an hourly rate for services that considers all costs within the price. The client is charged by the hour for a rate that goes up or down based on the skill level of the stylist, but there is a core amount that is set to cover all costs and a targeted profit margin built-in. Salons that rave about the model state its core benefit is that it ensures a constant margin across every service rendered, regardless of stylist, service, and product dispensed.

Ultimately, this time-based pricing structure charges your guests for the time and skill level required to deliver a service tailored specifically to their individual needs.

Three Pricing Strategies: A Review

1 Traditional, All-Inclusive Pricing

Different services, or techniques, are set with standard prices and inclusions. For example, a Balayage would have a set price for each level of stylist in the salon. An estimate of costs associated with the specific service and the general overhead is considered when setting the price, but variability in the service needs to be manually charged but is more often absorbed.

PROS:

Simple and recognizable to the customer and stylist.

CONS:

Prevalent undercharging because of variances from client hair types. Unpredictable margins can be hard for owners to manage and erode salon profitability.

VISH SALONS ON ALL-INCLUSIVE PRICING:

Not every salon is ready to overhaul its prices. In this case, Vish salons take one of two paths - monitor pricing based on Vish reports to ensure profits never dip below a set average profit margin. This is where the Vish onboarding and time with your coach really pays off! Vish also recommends a second step which includes their automated Product Allowance feature.

This includes setting a limit to the amount of color included in the standard price for every service. When a service exceeds that, the system charges the client for each gram or ounce used. The charges are incremental for the client, and completely transparent, but the impact for the salon is thousands of dollars of retained profit.

2 Parts and Labor Pricing

This approach separates pricing into product costs and service costs, often charged on an hourly basis. This takes the guesswork out of average costs and accurately passes personalized costs directly to the client.

PROS:

The most precise and personalized pricing model, offering fairness to all parties and creating new revenue streams that have been vital in industry recovery.

CONS:

Technology is required to manage properly and it encourages waste if not monitored.

VISH SALONS ON PARTS AND LABOR:

No admin here! The Vish Bluetooth scale automates a precise charge for what was used on the client, based on what you mixed for the service. With the ability to track how much product is used to the tenth of a gram, the Vish app has an itemized receipt at the end of the service that shows the guests the incremental fees.

According to salon industry business editors, the term "parts and labor" pops up regularly among many premier salons looking to grow their businesses and prosper through changing times.

3 Time-Based Pricing

Charging your guests an all-inclusive hourly rate, which scales up based on the experience and talent level of the stylists, is becoming more popular. This differs from Parts and Labor in that there is only one charge, for time, and all costs and products are included.

PROS:

Simple, easy to administer, and inclusive for the guest, this model excels in breaking down years of barriers and confusion with the traditional model.

CONS:

It can be hard to determine costs and exposes the salon to variability. The model may be transparent, but salons report having to coach their clients on expectations. In salons that require a minimum of one hour for the service, men's grooming and shorter services may decline.

VISH SALONS ON TIME-BASED PRICING:

When salons calculate any sort of all-inclusive price, whether that's by service or by the hour, it's imperative to monitor the costs to ensure profits do not dip if costs begin to escalate.

Monitoring reports within the Vish Dashboard, such as average cost per service and wasted product, is vital as every drop wasted is money poured down the drain. Work with your Vish customer service representative to evaluate these costs and to ensure they are included accurately when you set your hourly rates. Most salons using this model will also have regular reviews of their data to make sure they stay on track.

“The time-based pricing system is gaining popularity, acceptance, and appeal among owners, stylists, and clients globally.”

— Stacey Soble

Editor and leader of Salon Today and the Data-Driven Salon Summit event.

“We definitely see a trend toward new approaches to service pricing among our audience of leading salons,” she says. Stacey reports an uptick in the “parts and labor” model as well as a more recent dialogue about pricing based on the actual amount of time spent on a client’s hair due to length, texture, and complexity of service.”

“A few things come up again and again in the pricing conversation,” Stacey says. “Salon owners tell us their new pricing approaches are fairer than an à la carte price, and that an updated pricing model encourages inclusivity and the move towards gender-neutral pricing. After the closures, many salons realized the importance of being able to charge based on the amount of product used and time spent—and said their guests could understand and accept the change.”



How Do You Set Your Hourly Rates?

The four main considerations before making the shift to **Time-Based Pricing** are:



Review time-based elements

These include elements you have likely already established in your salon:

- Booked rate
- Typical time length of service
- Stylist hourly rates
- Profit margin targets



Crunch the numbers

Determine the actual salon cost for a single hour of service sold. You'll need to know these monthly averages:

- Income-generating service hours your salon has available
- Service hours sold
- Salon operating costs



Establish the price per hour

Set your price per hour of service based on:

- Your cost for a single hour of salon service
- The profit margin you set for your business



Determine price increments

Use your one-hour service pricing benchmark to set pricing for services that are shorter or longer than one hour as such:

- Calculate by the minute
- Calculate pricing in 15-minute increments

Check with your salon software team if you aren't sure where to find these numbers. They should be in your dashboard.

MANAGING CHANGE

Major benefits have emerged in the shift to time-based pricing, say salon owners who have made the switch. But don't forget to communicate "what's in it for you" to everyone involved.



EMPOWERING STYLISTS WITH A FRAMEWORK FOR THEIR VALUE

Time-based pricing takes the emotion out of how stylists charge their guests. Do you want a flat iron after your blowout? No need to add a line item, yet the stylist is compensated for the time they spend. There is also more transparency and data around their productivity and pricing to review, helping to identify challenges or set goals towards getting a raise. This can be achieved through tiers of hourly rates—and still, protect profit margins.



MEANINGFUL CLIENT CONSULTATIONS MANAGE EXPECTATIONS

For new guests especially, a consultation before coming into the salon is a vital step in setting expectations. Most time-based salons will provide an estimate or outline of the anticipated service costs, which is a helpful step for both the client and the stylist.

Have you heard of Snap Snip or Meet Your Stylist?

Two incredible solutions for administering virtual consultations which could help set these consultations.



IT BECOMES SIMPLER TO OFFER AND PRICE GENDER-NEUTRAL SERVICES AND TO ADJUST MENUS

For a range of practical reasons, more salons are moving to gender-neutral services and pricing. In essence, time-based pricing is the same as an all-inclusive menu, without the labels. Using a flat, universal rate based on length, texture, tools used, products required, skills needed, etc. removes the stigma associated with service names and helps address all the practical and cultural issues related to diversity, equity, and inclusion, too.

Do What's Right for You

Your salon pricing is a big deal. Talk to trusted resources and other salon owners who have moved to time-based pricing. It's always a good time for a conversation about protecting and growing your business. Read on to discover one salon's journey to time-based pricing.

TIME-BASED PRICING IN ACTION

Case Study: Craft House Salon



Owner: Mallory Zenner, hairdresser

  @crafthousesalon | crafthousesalon.com

LOCATION:

Atlantic Highlands, NJ

OWNER:

Mallory Zenner

OPENED:

April 2018

Since we opened, we have been operating our back-end pricing structure on an hourly model. We are currently transitioning to an hourly pricing model for clients now, too, as part of our 5-year plan. We have seen significant growth with time-based pricing.

— Mallory Zenner
Owner, Craft House Salon

PREVIOUS PRICING MODEL:

"I created a non-traditional pricing model that baked profit into all elements of the business by calculating and adjusting the back-end to create and maintain a consistent hourly structure. It appeared to be à la carte pricing, but I was mindfully making sure that we would maintain consistent profits per hour no matter the service or stylist, setting the stylist's hourly pricing rate according to their commission and my profit target."

WHY WE CHANGED OUR PRICING STRUCTURE:

"After the pandemic, I explained to our team how our pricing and profitability worked on the back-end to let them know we all needed to make sure our salon was sustainable long term. With Vish, we set product allowances based on what we wanted to bring in at an hourly rate per service. Now we're charging the guest for all services based on the amount of time needed."

CLIENT RESPONSE TO SWITCH TO TIME-BASED PRICING:

"Guests appreciate how we explained our change. In each consultation, we have a conversation about pricing, and we always offer options based on the stylist. At check-out, we offer to email an itemized breakdown, which includes a Vish line-item fee."

TEAM RESPONSE TO SWITCH:

"We addressed how we would communicate the time-based changes to our guests through team meetings, sharing talking points, and more. Once they compared their numbers in Vish and saw how this structure made things easier for them by taking out the guesswork and discrepancy, they fully embraced it."

HOW ARE WE REINVESTING NEW PROFITS OR SAVINGS FROM TIME-BASED PRICING?

"We are investing into profit sharing for our salon team. The more money we save and earn, the more we have to share. It's a huge incentive to be profitable and reinforce the importance of measuring KPIs consistently."



TWO YEARS WITH VISH:

“We started in June 2020, after researching a more efficient way of managing our color program. I wanted technology that could help us budget and price appropriately and equitably while promoting transparency with guests and stylists. Vish fit the bill.”

DATA STORY:

Key metrics at Craft House Salon, according to Mallory:

- 96% reweigh salon-wide, ensuring reduced color waste, optimum efficiency, and transparent, accurate pricing.
- 20-25% profit margin achieved with every service, after factoring in all fixed costs and using time-based pricing.
- Constantly checking metrics—daily, weekly, and monthly deep dive. SalonBiz software and Vish integrate seamlessly.