

Overcoming COVID-19 Economic Struggle: Strategies for Salon Professionals

Course Objective

The purpose of this course is to help salon owners and professionals navigate the economic turmoil caused by COVID-19, with a goal of surviving short-term financial struggles and developing long-term business strategies.

Learning Objectives

Upon completion of this course, you should be able to:

1. Explain how to handle immediate health-related concerns in order to maintain long-term customer relationships.
2. Identify COVID-19 federal government assistance programs for which salon professionals may qualify.
3. Outline strategies for salons to develop additional revenue streams that can be maintained during a closure.

INTRODUCTION

The novel coronavirus and the disease it causes, COVID-19, has had a substantial and detrimental impact on the national (and global) economy. Many industries have been affected, and salons—including hair, skin, and nail salons—are far from immune.

On a national level, the economic impact of COVID-19 is clearly seen in the number of unemployment claims that have been filed during the pandemic. On March 26, 2020 alone, 3.3 million claims filed, and that was only one day [1]. Across the country, state unemployment processing systems have been overwhelmed as businesses in numerous industries were forced to furlough employees or shut down altogether [2].

The specific impact on the salon industry has varied geographically, as salons in some regions have been forced to close while others have remained open. For example, New York, New Jersey, Pennsylvania, Connecticut, Florida and Michigan have all ordered salons to close, while Arizona and Oklahoma have allowed them to remain in operation as essential businesses (often to the dismay of workers and owners) [3; 4; 5; 6; 7]. Ordered closures by some local municipalities, such as Springfield, Missouri, and Muskogee County, Georgia, have ordered their own closures of salons within their respective jurisdictions [8; 9].

Moreover, ordered closures aren't the only way hair, skin, and nail salons are being affected. Even where salons do stay open, they're seeing fewer clients as increasing numbers of people stay home as much as possible.

These effects are severe and appear as if they'll remain for some time. For salons, surviving the economic crisis of COVID-19 requires a strategy—one that's three-pronged and focuses on clients, stylists, and salon businesses.

CUSTOMERS: FOCUS ON RETAINING LONG-TERM CUSTOMERS

With regard to customers, the aim of both salons and professionals should be to retain long-term customers. Despite the current economic struggles, retaining a long-term customer is still worth a short-term sacrifice. There are other ways to pay expenses now (as discussed in detail later in this course), and salons will need customers to return once the imminent threat of COVID-19 is somewhat mitigated.

The most immediate situation where a long-term focus comes into play is when customers call to cancel appointments (or just are no-shows). While normal circumstances might permit a cancellation fee in these situations, exceptional times call for exceptions. Cancellation fees generally shouldn't be enforced for as long as the COVID-19 crisis continues.

While a cancellation fee might seem necessary given the current economic hardship, enforcing any such fee will only risk upsetting customers (they may be experiencing hardships too, after all). The long-term detrimental effect that a single negative review or a lost long-term customer could have far outweighs any nominal benefit that a cancellation fee could bring in.

For salons that are closed, the downtime that follows can be spent connecting with both current and former customers. Part a business opportunity and part simply a kind gesture, phone calls, emails, and any other communications are more than appropriate at this time.

When stylists call their customers, a simple greeting and general inquiry into the customer's situation is all that's needed to begin a conversation. As the conversation proceeds, stylists can ask whether the customer has any at-home styling questions that are more specific to hair, skin, or nails.

Some customers will appreciate any conversation during these isolating times, and regulars might have questions that they greatly appreciate answers to. Styling questions also can turn into potential sales calls, although that's certainly not the main impetus for communications.

For salons that remain open, the sanitation measures that are put into place should be prominently communicated to every customer who comes for an appointment or has an upcoming appointment scheduled. A salon may communicate the actions its staff is taking by:

- Posting a flyer in the salon itself
- Publishing a statement on the salon's website
- Emailing customers who have appointments soon

Overall, salons' focus on customers should simply be on doing what's right for the customer. Whether that's canceling a charge, making a phone call, closing or remaining open, this is a time when everyone needs to be helping their neighbor (or customer). While there are a few specifics to consider, a general mentality to help others will naturally lead to the long-term customer loyalty that salons will need in the future.

SALON PROFESSIONALS: HELP FIND FINANCIAL ASSISTANCE WHERE POSSIBLE

With regard to salon professionals, there are some simple steps that salon owners and managers can take to help their professionals navigate these uncertain economic times.

First, salons should communicate their business plans as clearly and comprehensively as they can to their professionals. While plans over closures, hours, staffing, and other issues might change quickly, salon professionals deserve to know what a salon intends to do in the coming days and weeks. Simply letting them know what hours they can expect (if any) and how busy the salon is can help these professionals plan their own personal finances.

Second, salons can also help their professionals sort through the various federal assistance programs that are being made available. There are several programs that salon professionals might qualify for and should be aware of. Even though a salon hopefully isn't the only source of information about these programs, passing on resources whenever possible is another way that salons can look after and help you the salon professionals that work for them.

For employees who are laid off or furloughed, unemployment assistance may be available. In addition to the standard unemployment assistance that a worker's state offers, the federally passed CARES Act provides qualifying unemployed workers an additional \$600 per week and extends unemployment benefits by up to an additional 13 weeks [10].

Importantly, that \$600 weekly payment is a flat amount that everyone who qualifies for COVID-19-related unemployment can receive. While state unemployment benefits vary greatly, this is a secure additional amount that everyone who qualifies regardless of their income or state unemployment compensation levels.

Known as the CARES Act's Unemployment Insurance Program (UIP), this benefit is widely available both to workers who are fully unemployed because of COVID-19-related issues and those who are only partially unemployed on account of the disease. Employees who believe they may qualify for standard unemployment and the flat additional payment should apply through their state's unemployment program.

For salon professionals who work as independent contractors, there are currently several programs that may apply (more could be passed in the future). These are all federal programs and in addition to anything local municipalities or states might offer.

The CARES Act's Unemployment Insurance Program also applies to independent contractors who become unemployed as a result of COVID-19. A major feature of the UIP was the extension of unemployment benefits to independent contractors, sole proprietors and other self-employed professionals who traditionally have not had this form of protection.

The CARES Act also includes a COVID-19 Economic Injury Disaster Loan (EIDL), which is a specially adapted disaster loan that's offered by the Small Business Administration (SBA). The EIDL program is available to businesses—including sole proprietorships and self-employed independent contractors—who are in a disaster zone and negatively impacted by COVID-19.

These disaster relief loans have terms set by the SBA. The loan has a [10]:

- Maximum borrowed amount of \$2 million
- Maximum term of 30 years
- Deferred payment period of 6 to 12 months
- Annual interest rate of 3.75 percent (which is fixed)

Most significantly, completed applications for EIDLs can qualify for a grant of up to \$10,000 that's legally supposed to be provided within 3 days of applying. This grant doesn't need to be paid back, and businesses that receive it can keep the money regardless of whether their application is approved for a loan. The grant must be used for business expenses, but those include payroll costs.

The EIDL loan is applied for directly through the SBA's website, and the application is intentionally quick and relatively easy [11].

Finally, self-employed individuals and sole proprietors can apply for a Payment Protection Program (PPP) established by the CARES Act [12]. This program is also administered through the SBA, but applications are submitted directly to banks instead of the SBA's website.

The PPP is another loan option, but the terms are different from the EIDL program. Loans written through the PPP have a [12]:

- Maximum borrowed amount of 2.5 times monthly payroll or \$10 million (salon professionals will use the former limit)
- Term of 2 years
- Deferred payment period of 6 months

- Annual interest rate of 1 percent (which is fixed)

Most importantly with these loans, the amount used to cover payroll costs is fully forgiven so long as the borrower can show that the funds were used for payroll expenses and doesn't lay off any employees (which isn't a concern for self-employed individuals. With this provision, salon professionals might be able to use the funds to cover their normal income and not have to pay back a significant portion of the loan.

As mentioned, PPP loans are applied for through SBA-approved banks and other lenders. The application process is a bit longer than that of the EIDL program.

Salon professionals will need to do more research to find out what benefits they might qualify for, but having an employer help point them toward resources to start learning about these various programs can be helpful. Many workers might not be familiar with these stimulus benefits, such assistance is greatly appreciated.

SALONS: TRANSITION TO SUPPLEMENTAL REVENUE STREAMS

Salon owners and managers should also be looking into the stimulus programs discussed, for many salons will likely qualify for EIDL and/or PPP loans. Salon owners shouldn't rely only on these programs, however.

Owners and managers ought to also cultivate supplemental revenue streams that can partially make up for revenue losses. There are several ways that hair, skin and nail salons might generate supplemental revenue.

Gift card sales can provide revenue when a business isn't open or is getting few bookings. Gift cards essentially work as short-term microloans, whereby salons borrow funds from customers in exchange for future services.

Styling and beauty products can be sold and shipped to customers, thus bringing in sales revenue without providing in-person services. Products can be sold via phone calls, direct mailings, or online.

For salons that already sell products to customers as a side income stream can very easily grow this part of their business, for the processes and infrastructure are in place. Salons that don't yet sell products can either set up a product-selling aspect of their operations, which is somewhat involved, or make commissions via online affiliate commissions. Affiliate sales won't bring in the same amount of revenue from sales, but salons don't have to worry about securing inventory and fulfilling orders.

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Online tutorials can help salons retain loyal customers with at-home styling tips, and well-done tutorials can be financially leveraged through affiliate sales and advertisements. Videos are the most effective way to reach customers, and they can be hosted on a salon's website and/or a video streaming platform.

As an added benefit, these revenue streams can be continued even after the immediate COVID-19 crisis is over to supplement regular revenue.

CONCLUSION

COVID-19 has brought a crisis that's unprecedented in modern times, and the crisis is having drastic economic effects in addition to the medical impacts. Hair, skin and nail salons have and will continue to see revenue decrease during the immediate future, but there are ways to mitigate the economic effects of COVID-19. To weather the pandemic, salons and their professionals should take advantage of federal financial assistance programs that they qualify for and employ these long-term strategies.

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