A Small Business Analysis:
Modern Image Salon & Airbrush Tanning

A thesis submitted to the Miami University
Honors Program in partial fulfillment of the
requirements for University Honors

by

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May 2004
Oxford, Ohio
ABSTRACT

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Modern Image Salon & Airbrush Tanning has experienced a steady decrease in demand for its newly added airbrush tanning service since its opening in May, 2003. Because of this decrease, the salon has poor cash flow and is struggling to cover monthly expenses. The low demand for the service has major repercussions on the salon – reinvesting in the company becomes difficult and spending money on beneficial solutions such as advertising and promotion to increase demand becomes impossible.

One of the main objectives was to develop solutions for the salon geared toward increasing sales at minimum cost. A key component to generating solutions was uncovering customer dissatisfactions. To achieve this, we created a customer survey and collected results throughout the consultation period. We also experienced the service ourselves. After compiling the data, we developed solutions addressing these concerns. Our efforts were primarily focused on developing successful, inexpensive marketing methods for small business that can be applied to the salon.

Another objective was to improve the owner’s bookkeeping practices. This was a priority because we wanted them to have a better understanding of month-to-month financial standing. Previous bookkeeping practices did not provide such monthly information. To achieve this, we projected break-even points based on different expense allocation percentages. Also, a computer program was created that displays monthly financial information to allow for easy reference of data that will supplement current accounting practices.

A third objective was to improve the level of operating efficiency of the salon. Currently, a few aspects of the business are not operating at maximum efficiency. To improve this area, we focused on understanding the costs of the salon, and we prioritized the areas appropriate for cost reduction based on the impact the reduction would have on the salon. Two of these areas are employee scheduling and the procurement of airbrush tanning solution.

We developed many different solutions for the salon, mostly geared toward increasing sales or decreasing costs. Many of our solutions were implemented during the consultation period, however, others were not. For those not implemented, we suggest that the salon prioritize them and look beyond the cost of implementation. Due to the poor cash flow, it is tempting to save money rather than allocate some to “unnecessary” expenses such as advertising. However, the quote, “you must spend money to make money” directly applies to the salon. Our solutions are geared toward marketing the airbrush tanning service and increasing customer demand, thus making the salon more profitable.
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BACKGROUND

History of Company

Elaine Myers, 52, and Lindi Fisher, 28, opened Modern Image Salon & Airbrush Tanning in Richmond, Indiana on May 12, 2003. Elaine is a pedicurist and Lindi is a hair stylist. Lindi’s husband created the name Modern Image Salon, which she used while working independently as a hair stylist. Lindi and Elaine decided to keep this name for their partnership, assuming that people would recognize it from Lindi’s previous business. The salon services include haircuts, pedicures, manicures, massages, and airbrush tanning.

Content of Letter of Engagement

Our goal is to successfully complete the following projects during the semester:

- Create a complete marketing plan for the airbrush tanning service
  - Survey customers to obtain feedback about the current service offering
  - Devise an effective advertising campaign on a short and long term basis, including one-time event and permanent advertisements
  - Create internal advertisements promoting the benefits of airbrush tanning

- Evaluate current financial status to forecast future profits
  - Suggest alternative pricing structure for airbrush clients
  - Evaluate current supplier status regarding price and service level compared to other competitors

- Research effective small-business bookkeeping methods and compare with current method
Formulate an efficient employee scheduling plan based upon airbrush client demand, in hopes of minimizing labor expenses

**Current Position of Firm**

All aspects of the business are profitable. Elaine and Lindi keep their respective profits from pedicures and hair styling separate, while the airbrush tanning profits are shared. The two are currently speaking to a lawyer about the possibility of incorporating the business and combining hair and pedicures under the single Modern Image entity.

A short-term goal for Modern Image is to fill the facility, potentially renting space to two more hair stylists and one more manicurist. The long-term goal for the salon is to make airbrush tanning the most profitable aspect of the business.

Airbrush tanning is a relatively new phenomenon. The tan is created by an application of chemicals, which is essentially the same formula found in store-bought self-tanners. There are two ways to apply this tanning solution: automatically by a spray tan booth or manually from a spraying unit that is applied by a person. The spray tan booth automatically mists the solution onto the individual. The equipment for this method is rather costly, thus Lindi and Elaine opted for the manual application equipment. This method utilizes a compressor and an air gun. The solution is placed into a small container and is then sprayed onto the client using the gun. An advantage of applying the tanning solution manually is that the technician can control the distribution of the solution. According to Elaine, some very experienced airbrush artists can control the distribution of solution to create darker areas on the body that have an appealing contour affect.
Airbrush tanning is effective because it provides a more even tan than self-tanners, which have a reputation of streaky application. One application of an airbrush tan lasts between seven to ten days. The current price structure for the service at Modern Image is as follows:

- 1 session – $25
- 2 sessions - $40
- 10 sessions - $200 + free 16oz bottle of Maintain lotion
- Booster drops - $2

Lindi and Elaine chose Airbrush Tanning Florida as the supplier for their initial equipment investment and for the repurchase of tanning solution. The initial package they purchased was for $1800, and it included a compressor, an air gun, two gallons of solution, and training. From May through December of 2003 they used fifteen gallons of solution with potential for approximately forty tans per gallon. The training session took place in Florida and was designed to teach the two owners how to properly use the equipment. Airbrush Tanning Florida verbally promised not to sell their solution to another company within a fifteen to twenty mile radius of Modern Image, in hopes of securing this market for the salon. The airbrush tanning was very popular at the beginning of the summer; however, business has since dropped substantially.

**Owners’ Credentials and Objectives**

Prior to opening the salon, Lindi and Elaine worked independently as booth renters in another building located in Richmond. As booth renters, Lindi worked as a hair stylist while Elaine worked as a pedicurist. Both have approximately seven to eight years worth of experience in their respective trade. Lindi began work in cosmetology immediately upon graduation from high school. Elaine began working as a nurse in 1972
before becoming a pedicurist. Part of her job included working in a nursing home performing many different tasks, one being trimming patients’ nails. She admitted that she eventually became “burnt out” of her nursing job and decided to switch to giving pedicures, a job that she perceived to be less stressful and more fun than working as a nurse. Elaine stated that her nursing experience helped her become a good pedicurist. For example, she is able to determine if a client has poor circulation or diabetes from examining his or her feet, a skill that sets her apart from many other pedicurists.

**Employees**

Modern Image Salon has three booth renters. Two of these three women, Emily Wood and Wendy May, are not considered employees but rather renters of space. Emily styles hair and Wendy gives manicures. Shannon VanDuyn is the third booth renter, and she performs massages. In addition to the massages, Shannon works as a receptionist on Tuesday from 10am – 4pm and is considered an employee. Tina Mann and Marsha Fisher, Lindi’s mother-in-law, also work at the salon. Tina works on commission and applies tans during the evenings and on Saturdays as needed. Marsha works as a receptionist, but she does not receive a paycheck as compensation. Instead, she works for haircuts and other benefits as a favor to Lindi.

Tina receives a six-dollar commission per tan. The tanning appointments that are scheduled determine her work schedule. Since all of the services are done by appointment, the booth renters are only at the salon when there is a scheduled appointment.
MARKETING

Customers

Lindi and Elaine each have a very loyal customer base for their haircuts and pedicures. They have as much business as they can handle and do not wish to add any new clients. Emily, Wendy, and Shannon are in the process of finding new customers to establish their own loyal client bases. Lindi and Elaine do not give assistance to this process. They feel it is the responsibility of the individual women to advertise their respective services.

Increasing the number of clients for the airbrush tanning is a major concern for Modern Image. Since beginning the service in May, they have attracted approximately three hundred tanning clients. The service was in high demand the first two months of operation with as many as six new clients each day. Since July 4\textsuperscript{th}, 2003, however, they have had fewer than ten tanning clients coming in some weeks.

Geography

Modern Image is located in a former relatively high-traffic, commercial district. During the 90’s, however, there was a shift eastward away from the salon’s current location to the main business district of Richmond. This shift was due to the addition of a mall and Wal-Mart (see Appendix A for a map of Richmond). In turn, the shift decreased the cost of rent for businesses in the area, enticing Lindi and Elaine to open Modern Image in the same general vicinity as their previous booth-renting operations.

Unfortunately, there are problems with the salon’s current location. The shift in business eastward caused many businesses to close, leaving vacancies in buildings
surrounding the salon. Also, there is not a parking lot for the salon and street parking is limited.

The building that Elaine and Lindi are renting has an attractive appearance. Most of the building has new wood floors and the walls have new white and blue wallpaper. Inside the building there are four small rooms. One is used for the airbrush tanning, another for Elaine’s pedicures, a third for massages, and the fourth for Lindi’s hair styling. These rooms provide privacy, which is especially necessary for the tanning since the customers must remove most of their clothing. Toward the back of the building, the booth renters operate in spaces that have a cubicle-like level of privacy. There is an advertisement in the front window for the airbrush tanning and a sign on the front door with the name Modern Image Salon & Airbrush Tanning.

**Competitors**

There are many other salons in Richmond. Lindi and Elaine view their main competitor to be Le Crazy Horse Salon. This salon is the largest in town with approximately five to ten hairstylists working at any given time. Le Crazy Horse also sells up-scale products such as Aveda. It is rumored that the salon will have airbrush tanning soon, but there has been no confirmation. Les Cheveux is another competitor that stands out due to its use of the radio for advertising. Lindi and Elaine have noticed this competitor because it sponsors the daily trivia “Time Capsule” question on the radio quite frequently.
Elaine and Lindi currently do very little advertising. In the past they advertised in the local newspaper, *The Palladium-Item*, which brought in very little new business for airbrush tanning. This method of advertising is unfavorable because of the pressure to sign extended contracts.

When Modern Image Salon opened, Elaine and Lindi hosted two open houses, one for clients and one for new customers. They created tee shirts to distribute at the events as a form of advertisement, but the shirts were not ready in time. Subsequently, they considered giving the shirts to people who purchase large tanning packages but have not yet done so. Because the tanning did so well initially, they did not think that it was necessary to give away the shirts at that time. Currently, the tee shirts are packed in a box in the back office area.
INDUSTRY

Modern Image falls under the North American Industry Classification System (NAICS) code 812199 for “Other Personal Care Services.” One problem with the industry is the lack of historical information regarding the demand for airbrush tanning. Elaine and Lindi have little buyer behavior information about the service because it is so new. In the Midwest no provider has offered airbrush tanning for more than two years, thus issues regarding seasonality and consistencies in demand are yet to be determined.

Associations

The Suntanning Association for Education (SAE) is the most relevant association that can be used as a resource for Modern Image. SAE is a non-biased, non-profit organization specializing in all information relating to indoor tanning. The president, Paul Germek, has been involved with airbrush tanning since 1981, and based on our estimation he serves as the most credible source of historical information regarding airbrush tanning (despite the fact that airbrush tanning began in 1981, it did not become available to the general public until approximately two years ago). SAE also conducts educational and training programs for salon operations and sponsors research on indoor tanning.
PROBLEMS ADDRESSED

The following section provides information regarding the key problems that we identified and attempted to address. While there are other smaller issues, these are the most significant and have the largest impact on the success of the salon.

*Empty Space in the Salon*

Elaine and Lindi stated that their short-term goal was to fill the empty space in the salon. Currently, they have the ability to acquire two additional hair stylists and one additional manicurist. Filling this space is important because it will provide additional income with little additional expense. The booth renters pay $65 each week, so by filling the three empty spots, Elaine and Lindi will increase their weekly income by $195.

Elaine and Lindi are both aware of the benefit of finding additional booth renters. Since opening the salon in May, they have interviewed approximately six people interested in booth renting. Unfortunately, Elaine and Lindi decided they did not want any of these prospective renters working in their salon. Lindi stated that they do not want “just anyone” to fill the space. They want someone who is pleasant to work with, has experienced, and is talented in their respective service so that the salon will build its reputation.

We could not provide additional help for this particular problem. Elaine and Lindi have not had a problem finding people interested in being booth renters but more a problem of finding people they deem satisfactory for the salon. Elaine and Lindi know they need to fill the empty space in the salon, and hopefully they will do so as soon as possible.
Decline in Sales and Poor Cash Flow

Soon after introducing the airbrush tanning in May, the service experienced declining demand. As can be seen in Appendix B, the service peaked in August with one hundred eighty tans and then steadily declined to a low of twenty-seven in November. Elaine and Lindi have been concerned with this declining trend. They rely on the tanning to cover most of the overhead costs and additional expenses of the salon. With the decline in sales, they have experienced cash flow problems and have implemented a policy of each owner contributing $50 a week to alleviate the immediate problem.

To help Elaine and Lindi better understand the current trends in their tanning and cash flow, we charted the tanning service using the limited historical data available, analyzed the financial information from their bookkeeping system, and gathered as much information on the industry as possible.

Lack of Historical Information and Industry Knowledge

As mentioned, another problem is the lack of historical data and airbrush tanning industry knowledge. Elaine and Lindi started airbrush tanning in May, thus only a few months worth of demand information is available for analysis. Also, it is difficult to address trend issues because information from previous years does not exist within the salon. Again, since the industry is so new this further complicates forecasting because of the lack of resources from which to gather information. We attempted to find trends in seasonality for the tanning by talking to other airbrush tanning salons and companies but found none in the Midwest that have offered the service for more than a year. One person who provided some information was Steve Wilson of Airbrush Tanning Florida,
the company that provides the tanning solution for Modern Image. Mr. Wilson also provides the airbrush tanning service in Florida and was able to give us some insight on the trends he has experienced. He said the busiest period for the tanning is from May until approximately July 4th. For the remaining months of the year, the tanning is busiest for special events and holidays such as Christmas and New Years.

The information obtained from Mr. Wilson is not concrete evidence identifying seasonality of demand, but it does provide a general idea of what Elaine and Lindi might experience during the year. We developed solutions tailored to these expectations.

**Lack of Advertising and Promotions**

The largest problem with the salon is the lack of advertising and promotions. Poor cash flow was one of the main reasons Elaine and Lindi were not advertising much when we began working with them. Also, they felt that in the past their advertising efforts were ineffective. In order to increase sales, it is crucial that they do some form of advertising and in-store promotions. By increasing the amount of advertising, we believe that Elaine and Lindi will be able to attract new customers to the salon to use the airbrush tanning service. The in-store promotions will hopefully entice current customers to come more frequently.
SOLUTIONS IMPLEMENTED

These are the solutions that we developed and implemented during the semester-long consultation. None of these solutions required Elaine and Lindi to spend money – a benefit for the salon because of the poor cash flow.

Survey

One of the first projects we worked on was developing a survey for the airbrush tanning. Appendix C shows a copy of the survey. The survey was created for distribution to clients who use the airbrush tanning service. The questions evaluate the strengths and weaknesses of the current service to see if there are certain areas in which the customers are not satisfied. The questions focus on frequency of use, level of satisfaction, reason for use, and method of discovery of the service. The survey is distributed in the salon for customers to fill out upon completion of the airbrush tanning process. Also, we randomly called customers over the phone and interviewed them to receive additional feedback using the same survey questions.

In total, we surveyed seventeen customers, sixteen females and one male (females make up the majority of the customer base). All people we surveyed had used a traditional tanning bed at least once, so we were able to gather comparative information between the two services – tanning beds versus airbrush tanning – as well as information evaluating the airbrush tanning on its own. Appendix D graphically displays the results from the survey. The results show that 82% of the customers did the airbrush tanning only once or twice at the salon; three of the seventeen respondents did it more than twice. Regardless, approximately half the customers gave the service a rating of four out of five,
one being poor and five being excellent. Furthermore, 73% of the respondents said they prefer airbrush tanning to tanning beds. This may be due to the fact that people are concerned about the health consequences of using tanning beds - 65% of the people surveyed said that the threat of skin cancer and wrinkles is a significant reason why they initially chose to try airbrush tanning.

The survey results also indicate that the high price of airbrush tanning is a factor in people’s decision not to use the service frequently. We found that 64% of the customers would be more likely to increase their use of the service if the price were slightly reduced. In regards to how people heard about the service, 70% of the people surveyed discovered airbrush tanning through a friend or family member. Also, the largest percentage of users (41%) is between the ages of 19 and 30, with 29% between 41 and 50 and 24% between 31 and 40. One surprising result is that 53% of the customers surveyed live outside of Richmond. However, considering that Richmond is rather small, these customers are still within a close proximity to the salon.

When we asked the customers if they had any suggestions for improvement, the most common response had to do with the effectiveness of the drying process. After the solution is applied (two applications of spray over the entire body), the client stands in front of a fan for approximately seven minutes to speed the drying process. The problem with this is that the air from the fan is cold, and regardless of the fan it remains difficult to dry off completely. Two suggestions are that Elaine and Lindi keep the temperature warmer in the airbrush tanning room and/or use a hair dryer or heater to dry off the customers rather than a fan. Other comments focus on the customer’s disappointment
that the tan did not last longer, especially on the face. Even with these negative
comments, the majority of people said that they were satisfied and that they enjoyed the
service and atmosphere of the salon.

**Financial Analysis**

We conducted the financial analysis in order to provide a general idea of the
profitability of airbrush tanning and to uncover potential sources of the cash flow
problems. Lindi provided the financial information. She currently uses Quicken for
Small Business to keep running totals of cash inflows and outflows. The running totals
are kept for many different categories. We separated the non-relevant information from
the relevant (relevant information deals with categories that apply directly to the tanning,
general overhead, and miscellaneous expenses for the salon). Additionally, we divided
the running inflow and outflow totals into monthly components. We then used the
various variable and fixed revenues and expenses to estimate the number of tans needed
each month to break even.

Currently, Elaine and Lindi expect the tanning to cover one hundred percent of
the overhead. This is placing an unfair burden on this service and making it appear to be
less profitable than it actually is (Appendix E page 40 shows the analysis with one
hundred percent of the fixed costs and fixed income applying to tanning, while page 41
shows a sixty percent application, and page 42 shows a thirty-three percent application).
When the overhead costs and renter income are distributed evenly among Lindi’s
hairstyling, Elaine’s pedicures, and airbrush tanning, the tanning service appears to be
much more profitable. With these projections, the number of tans needed per month to
approximately break even for the tanning service is twenty-eight versus sixty-four when one hundred percent of the overhead and renter income is applied to the tanning and no contributions are provided by Elaine or Lindi.

When all of the overhead is applied to the tanning, the twenty-eight tans per month will not cover the total overhead for the salon. To combat allocating all overhead to the airbrush tanning, the salon must generate an additional $504.96 to ensure that these costs are covered. Therefore, Elaine and Lindi must each contribute $252.48 per month in order to break even. If more than twenty-eight tans are applied in the month, the tanning service will be more profitable and less money will be needed from Elaine and Lindi to cover overhead. If less than twenty-eight tans are applied, more than $252.48 will be required from both Elaine and Lindi to cover monthly costs. If zero tans are applied, the salon will experience a loss of approximately $899.76, leaving $449.88 required by both Lindi and Elaine to cover monthly expenses.

While the exact number of tans needed for profitability may vary due to increased expenses or changes in the price of the tanning service, the financial analysis provided serves as a guide to questions regarding cash flow. The analysis offers Elaine and Lindi an estimate of how many tans they should be doing per month. The analysis also shows why they have had issues with poor cash flow. It shows that depending on the number of tans done during a particular month, Elaine and Lindi will need to adjust the amount of supplementary cash they provide to cover expenses.
New Pricing Structure

We developed a new pricing structure in hopes that lower prices and a greater variety of packages will entice new customers to try the service and existing customers to use the service more frequently. Two problems with the old pricing structure are its limited choice of package options and the lack of adequate incentives to purchase the larger packages. The old structure offered one tan for $25, two for $40, and ten for $200 plus a sixteen ounce bottle of Maintain Lotion. We think it will be beneficial to add a package of five tans since the jump from two to ten is quite large. Additionally, using the old prices customers do not have much incentive to purchase the ten-tan package over the two-tan package since both packages offer one tan for $20 on a price per tan basis. Elaine explained that the sixteen-ounce bottle of Maintain Lotion is worth approximately twenty-five dollars, which accounts for the incentive to purchase the ten-tan package; however, we still do not feel that this is significant enough to entice customers to purchase the larger package.

Our solution to the old price structure is to add additional packages and adjust the prices of the current packages so that the rate per tan decreases incrementally with the larger packages. We devised two new structures: one is more conservative and is not much of a decrease from the original (See appendix F page 43); the other has a slightly more dramatic change on a price per tan basis (See appendix F page 44). Elaine and Lindi have yet to implement one of the two new structures. They are willing to adopt the conservative structure and are considering the more drastic of the two. We believe that either structure will be beneficial and an improvement over the current structure.
Referral Poster

The results from the survey we conducted indicate that the most common method of discovering airbrush tanning at the salon is word-of-mouth through a family member or a friend. Utilizing this information, our team developed a referral incentive for airbrush tanning clients, designed to encourage word-of-mouth advertising and referrals. The incentive is a five-dollar discount for a customer’s next tan when he or she refers a new customer to the salon to try the airbrush tanning (See Appendix G for Referral Poster). When the new customer mentions the name of their family member or friend, the receptionist will make a note on the existing customer’s file to provide the five-dollar discount for the referral. To date, we do not know of any customers who have used the referral incentive. We do believe, however, that it has the potential to be effective.

Holiday Spa Package

The goal of creating a Holiday Spa Package is to bring in new customers. By combining the tanning service with two other more traditional salon services, we hope to reach people who would not have tried the airbrush tanning otherwise. Furthermore, the Holiday Spa Package is a great gift idea for people to purchase for the holidays or to purchase for themselves if they want to have a tan for holiday parties (see Appendix H for the Holiday Spa Package poster). The idea of offering gift certificates for individual services as well as for packages of services is not a unique idea but rather something that many salons offer. We anticipate that Modern Image customers will appreciate the gift idea. The Holiday Spa Package sign was displayed recently in the salon so it is difficult to evaluate the effectiveness of this idea.
**Special Weekday Deal**

We suggested that Elaine and Lindi offer a special discounted price on a certain day of the week to bring in more customers. Lately, Elaine and Lindi have been doing most of the tans themselves since the number of tans has not been very high. Elaine and Lindi do not work every day of the week. They have been trying to schedule most of the tanning appointments on Tuesday and Wednesday when they are at the salon. It is to their advantage to apply as many of the tans themselves rather than have Tina do them so that they do not have to pay her the six-dollar commission per tan.

After making the suggestion of offering a special weekday deal, Elaine and Lindi decided to start offering $15 tans on Wednesdays. On Wednesday, November 19th, they applied approximately nine tans. The total number of tans from November was twenty-seven, so it appears the $15 tans on Wednesday is a successful promotion. However, it is necessary to wait more than half a month to truly be able to evaluate the success of this implementation.

While we were pleased with the increase in demand, we were concerned with the premature lowering of the price to $15. Even with the new proposed price structure, the only way for clients to receive tans as low as $15 per tan is to purchase a package of twenty tans for $300 (under the proposed, more drastic new price structure). All other packages have per tan costs higher than $15, giving little incentive to purchase such packages. The Wednesday promotion will need to be monitored closely to ensure that customers do not come on Wednesdays only. This has potential to be problematic if the
tanning demand increases so significantly that it becomes difficult to schedule all customers on one special day.

**Pictures of Tanning Results Displayed in Salon**

The final solution that we implemented during the consultation period was providing Elaine and Lindi with pictures of the results from the airbrush tanning service. Many customers experience airbrush tanning for their very first time at Modern Image; naturally, they are curious about the results and apprehensive to try the service. Elaine and Lindi discussed creating a video of the process to be played in the waiting area for customers, as well as hanging “before” and “after” pictures on the waiting area wall to make customers more comfortable with the process and to let them know what to expect.

We tried the airbrush tanning ourselves to understand the steps in the process and to be able to judge the results for ourselves. After the session, Krysia took pictures of her results, showing the tan lines that she acquired after just one session (see Appendix I for the pictures). The pictures were enlarged and printed so that Elaine and Lindi can place them on the walls in the salon. They will be very helpful in letting the customers know just how tan they can expect to be after the first application. Furthermore, if customers sitting in the waiting area for another service see the impressive results of the airbrush tan, they may be tempted to try the service.
SOLUTIONS NOT IMPLEMENTED

The following solutions are those that we discussed with Elaine and Lindi that were not implemented during the consultation period. The suggestions are mainly marketing related because the salon’s main concern is bringing in new and old customers to use the airbrush tanning service. Because of the significant decrease in demand since the service was first offered, the cash flow problems that the salon is experiencing are primarily due to lack of sales. The majority of the following ideas focus on this problem.

Compare Current Supplier to Others

We researched other providers of airbrush tanning equipment and solution to determine if the current supplier of solution, Airbrush Tanning Florida, is the best option for the salon. Prices range from $95 per gallon up to approximately $240 per gallon. The high priced providers were ruled out because the current supplier offers $190 per gallon with bulk discounts available, and Modern Image has been satisfied with its solution.

We recommend that Modern Image investigate both Sun Kiss Mist and Wholesale Airbrush Tanning Solutions as potential new suppliers of solution. Sun Kiss Mist is currently running a special on solution – one gallon for $140, marked down from $190. The $140 price is per gallon, not a bulk discount rate; therefore, Elaine and Lindi would not have to purchase multiple gallons at a time to receive the discounted rate. The one concern is that the price is currently advertised as an “October Special” therefore we are not certain whether or not the promotion is still ongoing (we assume that it is because it is still being advertised as such).
The other supplier the salon should consider is Wholesale Airbrush Tanning Solutions that offers “Tropical Sun” solution. “Tropical Sun” solution can be obtained from many different tanning supply providers for the same price ($99 per gallon). Wholesale Airbrush Tanning Solutions is merely the first supplier that we found. The company did not provide information regarding bulk discounts; however, at $99 per gallon, the price is very inexpensive compared to the salon’s current supplier and Sun Kiss Mist. The only concern is quality. At $99 per gallon, the product might not be of very high quality; however, we assume that because many different suppliers offer Tropical Sun as their solution of choice, the quality must be sufficient and the solution is worth investigating by the salon.

Create a Supplementary Bookkeeping System

For the completion of his honors thesis, Scott continued work for the salon by creating a program using Microsoft Excel showing all monthly cash flows for the business. Currently, all financial information is kept on Lindi’s home computer using Quicken for Small Business. The salon uses the program primarily for tax purposes and to keep a running total of cash inflows and outflows since its opening in May. The new spreadsheet will provide the salon with pertinent information regarding monthly operations, such as net income, fixed and variable costs, and suggested allocation for a marketing budget and owner contribution to the salon.

The suggested analysis will give the salon a better grasp on current financial standing and will allow for detailed historical demand information to be stored and easily referenced. This is a particularly relevant feature due to the developing industry and the
lack of historical demand information available to the salon. One downside to the analysis is the time necessary to input the information. This will likely be Lindi’s responsibility because she keeps the financial information for the salon and is the most comfortable using computers. The information the analysis will provide needs to be compared to the amount of time it will take to input the information, which is undetermined at this point. Appendix J provides a screenshot of the spreadsheet while a CD containing the program itself is attached to the back cover.

**Advertise Under More Than Two Categories in the Directory**

In the most recent addition of the countywide business directory, the salon is listed under the “beauty shops” and “tanning” categories. We propose that they also create a separate “airbrush tanning” category in the phonebook to distinguish themselves from other tanning providers. The implementation of this solution will be simple and will not involve much effort by the salon. The only downside is the potential cost involved; however, the salon must consider that increasing the number of listings has the potential to bring in new customers who search for tanning services using the directory.

**Advertisement in a Dermatologist’s Office**

We considered placing an advertisement for the airbrush tanning service in a local dermatologist’s office because of the health benefits that coincide with the service. Based on the methods of tanning available (the sun, tanning beds, airbrush tanning, self tanners), we assumed that dermatologists would be more inclined to suggest using airbrush tanning as a healthy alternative, since it does not involve harmful UV rays that the sun and tanning beds do. We contacted a local dermatologist’s office to see if he
would allow Modern Image to advertise in his office using either a small poster or flyers available for customers to take. Unfortunately, the only local dermatologist does not allow such advertising, and the salon will not be able to take advantage of this marketing idea.

**Cross-functional Internal Promotion Ideas**

The salon offers many services for customers to take advantage of: hair styling, pedicures, manicures, massages, and airbrush tanning. We suggest they run an internal promotion giving customers a free airbrush tan after a certain number of massages, pedicures, or a combination of services. One suggestion is to give a free tan after five manicures/pedicures/haircuts. This promotion will give airbrush tanning exposure to the salon’s current customer base, many of whom have not tried the service. The exposure will be a free service to the customer, giving them incentive to try the service in hopes of sparking interest and future business for the salon. A potential disadvantage with this idea is that some customers will never be interested in the airbrush tanning service, and despite trying it once for free, they may never use it again. However, we value the potential for increased future revenues from clients that like the service more than the lost income from providing a free service.

**Grassroots Marketing Campaign**

A grassroots marketing campaign will consist of Elaine, Lindi, and possibly booth renters distributing flyers or small promotional items locally to inform people of the airbrush tanning service. If the booth renters partake, they will likely advertise for their
own services as well. This type of promotion will require the most amount of time from Elaine and Lindi because they will be physically promoting the service.

The benefit of this type of promotion is its ability to create awareness among people who may not hear of the service otherwise. Also, positive word-of-mouth is a very effective form of advertising, and by having Elaine and Lindi distribute flyers personally, people may be more inclined to try it. Again, the major downside is that it is time consuming. Also, the money involved with the printing of flyers and the ordering of small promotional products might be more than Elaine and Lindi are willing to spend.

**Advertise in Local College and University Newspapers**

Richmond is home to Earlham College and Indiana University East (IUE). Both of these universities have newspapers that are produced by college students and include advertisements for local businesses. We suggest that Modern Image use these newspapers to advertise the airbrush tanning. Based on our experience at Miami University, many college students use some form of tanning service during the winter months to maintain tans from the summer. Also, students tan prior to special events such as returning home for breaks (i.e. Thanksgiving or Christmas) or formal occasions. Earlham College has approximately 1,200 students and IUE has approximately 2,500, which accounts for a large group of 18-24 year old people in Richmond. So far this market has been untapped by the salon. The *Earlham Word* school newspaper has a quoted exposure of reaching eighty-three percent of students, faculty, and staff. As such, this may be a great form of advertising for the salon.
The obvious benefit is that the salon will reach a new client base that was previously not targeted by marketing efforts. The downsides are that the salon has had minimal success advertising in the local Richmond paper and is reluctant to use this medium in the future. Also, the cost of advertising in school newspapers, depending on the size and extent of the advertisement, may be too high for the salon. Appendix L provides detailed information regarding advertisement pricing for the *Earlham Word*. Appendix M provides detailed information regarding advertisement pricing for *The Pioneer Press*, IUE’s newspaper. As aforementioned, Appendix K shows an advertisement that we developed for the salon that could be used in the two school newspapers.

**Advertise in the Local Mall**

Richmond is home to the Richmond Square Mall, which is a focal point for commerce in the area (in the history section we briefly discuss the business shift towards the mall in the mid-‘90’s away from the downtown area where the salon is currently located). Occasionally, malls have post boards where local businesses can hang advertisements. This would be a great location for Modern Image to place an advertisement promoting airbrush tanning. Also, if there are any publications or other forms of advertising the mall provides, the salon can utilize these as well. The benefit would be the salon’s name and services being advertised in a popular shopping area that reaches customers from Richmond and the surrounding areas. The downside is the potential costs involved with such advertising – the cost for printing material or the price involved with advertising in a publication. Additionally, we have been unsuccessful in
contacting a mall representative who can provide us with information regarding
advertising options available for use.

**Further Advertising in the Richmond High School Newspaper**

Modern Image placed an advertisement in the Richmond High School newspaper
prior to the school’s homecoming dance that was successful in attracting a few new,
young female customers who wanted to be tan for the dance. There are other events and
dances during the school year in which the high school students may want a tan. We
suggest the salon also place advertisements in the newspaper in weeks prior to these
events promoting the tanning service. Other suggested events are: Christmas/Winter
break, Spring break, Prom, any dances during the school year, senior trips, and any other
breaks when students might leave Richmond and desire a tan.

The benefit of this form of advertising is that the salon will be able to market to
high school students and be able to provide a service previously unavailable to them. The
airbrush tan provides an *instant tan* that could only be achieved by self-tanner or by
spending hours in a tanning bed. With some historical success advertising in the high
school’s newspaper, this is a beneficial form of marketing. The downside to this type of
promotion is the cost involved. Based on the historical success, the salon needs to
compare the sales potential with the cost of the advertising to decide whether or not they
should incorporate this suggestion.

**Provide Free Tans to Models at Bridal Shows**

Many brides desire tans on their wedding day. Often times, if weddings are
during the winter months, a summer tan will have faded. Therefore, promoting the
airbrush tanning service to brides is an area that the salon should target. Attending bridal shows and providing free airbrush tanning to the models in exchange for advertising during the show is one way to promote to brides. According to Elaine, there is one show per year in Richmond that takes place in February. This form of advertising is something that Elaine and Lindi are very interested in and are in the process of trying to do.

**Tan a Team or Group**

The salon has considered contacting the local high schools to promote the airbrush tanning service to groups that may be interested, especially cheerleading or pom-pom squads. According to Paul Germek, president of the Suntanning Association for Education, these groups have historically utilized the service in other areas. Modern Image has considered giving group discounts to local squads or perhaps free tanning sessions in exchange for advertising at events at which the squads perform. While this is a method in which Elaine and Lindi are interested, they have not yet implemented this idea.
OWNER IDEAS IMPLEMENTED DURING CONSULTATION

We began working with Modern Image at the beginning of September 2003. During the consultation period Elaine and Lindi implemented several solutions on their own – some solutions developed by us and some developed by the owners. The origins of the solutions developed by the owners are unknown; however, it is reasonable to assume that from working with Elaine and Lindi for the semester, we were a motivating factor in the development of solutions to improve the business.

Advertisement in the Richmond High School Newspaper for Homecoming

As previously stated, Modern Image placed an advertisement in the Richmond High School newspaper prior to Homecoming weekend. It was successful in bringing in approximately five to six new female customers that desired a tan for the Homecoming dance.

Radio Advertisement

The most recent advertising that Lindi and Elaine did utilized the radio. One of the local stations features a daily trivia question called the “Time Capsule.” Different businesses sponsor the question each day, and Lindi and Elaine signed a one-year contract for the Thursday slot. A few days before Thursday, a quick ad plays on the radio that says, “Listen for the daily Time Capsule question on Thursday brought to you by Modern Image Salon.” On Thursday, four thirty-second ads are played throughout the course of the day. Lindi thinks this method of advertising is a good idea because other salons use it and it is not too costly. The price of the advertisement is $68 per month for each of the four ads played every Thursday. Lindi and Elaine pay for two of the four ads,
which they use to promote the tanning service. Two of the booth renters pay for and use the remaining two ads to promote their services.

**Increase Personal Investment to Help Alleviate Cash Flow Problems**

In October, Elaine and Lindi decided to each put $50 per week into the business to help it survive the months that suffer from poor cash flow. The financial analysis of the salon provided in the *Solutions Implemented* section of this paper states that Elaine and Lindi must each provide approximately $250 per month to help cover costs for an average month of twenty-eight tans (see the *Financial Analysis* subheading for further detail). The $50 per week per owner provides an additional $400 per month, which comes close to the proposed $500. For the abnormally slow tanning months, $400 will not be enough to cover costs. Obviously, months that have high demand and income will not require Elaine and Lindi’s additional contribution, but for those months with slow demand, additional money from both Lindi and Elaine will ensure cash flow stability.

**Adjusted Employee Work Scheduling to Increase Efficiency**

When tanning sales began to decline and cash flow became a growing concern for the salon, Elaine and Lindi adjusted the part-time workers’ schedules to maximize their labor efficiency. They decided to minimize the part-time help to just one person, Tina Mann. By doing this, the salon has been able to decrease labor expenses.

**Holiday Prices**

In addition to the Holiday Spa Package, a new temporary pricing structure was developed by Elaine and Lindi and implemented for the holiday season (see Appendix N for poster of holiday prices). We suggest that the salon keep this pricing structure
through the holidays and implement one of the recommended new price structures provided in this report on January 1, 2004.

**Direct Mailings**

In late November, 2003, Modern Image mailed postcards to past clients who have not utilized the tanning service recently to inform them of the holiday prices and the $15 tanning sessions every Wednesday. The results from this marketing effort have yet to be determined.
CONCLUSION

We developed many different solutions with the intent of increasing sales or decreasing costs for the salon. Some solutions were immediately implemented while others were not. For those not implemented, we suggest that the salon prioritize them not simply based on the cost of implementation. Because of cash flow concerns, it is easiest to eliminate solutions that involve spending money that would normally not be allocated to marketing efforts. However, as quoted in the opening section of this report, “you must spend money to make money.” The solutions that we generated that involve spending money still must be considered because of their potential to bring in new customers. Reaching more customers equals increasing the demand for the airbrush tanning service, in turn making the salon more profitable.
APPENDICES

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Appendix A – Map of Richmond
Appendix B – Bar Graph of Demand

Modern Image Airbrush Tanning '03

<table>
<thead>
<tr>
<th>Month</th>
<th>Number of Tans</th>
</tr>
</thead>
<tbody>
<tr>
<td>July</td>
<td>180</td>
</tr>
<tr>
<td>Aug</td>
<td>114</td>
</tr>
<tr>
<td>Sept</td>
<td>63</td>
</tr>
<tr>
<td>Oct</td>
<td>37</td>
</tr>
<tr>
<td>Nov</td>
<td>27</td>
</tr>
</tbody>
</table>

Number of tans per month
Appendix C – Survey Questions

**Airbrush Tanning Survey**

1. How many times have you done the airbrush tanning at Modern Image Salon?
   ___ 1-2 times ___ 3-4 times ___ 5-9 times ___ More than 20 times ___ 10-20 times

2. How would you rate the quality of the airbrush tan?
   ___ 1 ___ 2 ___ 3 ___ 4 ___ 5
   Poor Excellent Average

3. Have you ever tanned in a tanning bed?
   ___ Yes ___ No

4. If “Yes” do you prefer airbrush tanning to using tanning beds?
   ___ Yes ___ No ___ They’re the same

5. Is the threat of skin cancer and wrinkles a significant reason why you tried airbrush tanning?
   ___ Yes ___ No

6. If the price of airbrush tanning were reduced *slightly*, would it increase your frequency of visits significantly?
   ___ Yes ___ No ___ Maybe ___ Depends on the reduction

7. How did you discover airbrush tanning at Modern Image Salon?
   ___ From a friend/family member ___ Phonebook
   ___ Advertisement ___ Other (please specify_________________)
   ___ Walked by and noticed

8. Do you have any recommendations for improvement for Modern Image Salon?
   ________________________________________________________________________  ________________________________________________________________________

9. Gender?
   ___ Male ___ Female

10. Age?
    ___ 0-18 ___ 19-30 ___ 31-40 ___ 41-50 ___ 50+ ___ No thanks.

11. Place of residence?
    ___ Live in Richmond
    ___ Live outside of Richmond (approximately _____ miles from Richmond)
Appendix D – Graphs of Survey Results

**Number of Times an Individual Customer Has Used Airbrush Tanning at Modern Image Salon**

- 1-2 times: 6%
- 3-4 times: 12%
- 5-9 times: 0%
- 10-20 times: 82%

**Rating of Quality of Airbrush Tan**

- 1 - Poor: 13%
- 2: 6%
- 3 - Average: 19%
- 4: 49%
- 5 - Excellent: 13%
Appendix D – Graphs of Survey Results

Preference of Airbrush Tan to Tanning Beds

- Prefer: 73%
- Do Not Prefer: 27%
- They are the same: 0%

Threat of Skin Cancer Playing Significant Role in Decision to Airbrush Tan

- Significant: 35%
- Not Significant: 65%
Appendix D – Graphs of Survey Results

Likelihood of Increased Visits with Slight Price Reductions

Ways Clients Discovered Airbrush Tanning at Modern Image Salon
Appendix D – Graphs of Survey Results

**Age of Clients Using Airbrush Tanning**

- 0-18: 29%
- 19-30: 41%
- 31-40: 24%
- 41-50: 6%
- 50+: 0%

**Place of Residence for Airbrush Tanning Clients**

- In Richmond: 47%
- Outside of Richmond: 53%
## Appendix E – Financial Analysis

### Monthly Financial Info - As It Relates To Tanning

(Tanning Covering 100% of Modern Image Fixed Costs and Receiving 100% of Booth Renter Payments)

<table>
<thead>
<tr>
<th>Fixed Costs (General)</th>
<th>130</th>
<th>100</th>
<th>64</th>
<th>28</th>
<th>0</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent</td>
<td>600.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gas and Electric</td>
<td>170.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Phone</td>
<td>152.60</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water</td>
<td>19.08</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurance</td>
<td>53.33</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office</td>
<td>30.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business Supplies</td>
<td>120.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee Withholding Taxes</td>
<td>100.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gifts Given</td>
<td>30.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payroll</td>
<td>270.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Postage and Delivery</td>
<td>12.24</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank Charges</td>
<td>4.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Licenses and Permits</td>
<td>0.84</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Floor Mat Towel Service</td>
<td>59.17</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total (100%)</strong></td>
<td><strong>1,411.26</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Fixed Costs (Tanning)

- **Advertising**: $136.00

### Variable Costs

- Tan Commission: 6.00
- Tan Supplies: 4.75
- Towel Service: 0.15
- **Total**: $16.50

### Fixed Income

- Booth Rent (100%): $877.50

### Variable Income

- Tans: $25.60

### Minimum to Make a Profit

<table>
<thead>
<tr>
<th>Number of Tans</th>
<th>130</th>
<th>100</th>
<th>64</th>
<th>28</th>
<th>0</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Income</td>
<td>877.50</td>
<td>677.50</td>
<td>877.50</td>
<td>877.50</td>
<td>877.50</td>
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<tr>
<td>Variable Income</td>
<td>4,500.00</td>
<td>2,500.00</td>
<td>1,600.00</td>
<td>700.00</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td><strong>5,377.50</strong></td>
<td><strong>3,377.50</strong></td>
<td><strong>2,477.50</strong></td>
<td><strong>1,577.50</strong></td>
<td><strong>877.50</strong></td>
</tr>
</tbody>
</table>

### Net Profit

- $1,630.25
- $519.25
- $2.64
- $(504.36)
- $(899.76)
Appendix E – Financial Analysis

### Monthly Financial Info - As It Relates To Tanning

(Tanning Covering 60% of Modern Image Fixed Costs and Receiving 60% of Booth Renter Payments)

<table>
<thead>
<tr>
<th>Fixed Costs (General)</th>
<th>Number of Tans</th>
<th>Needed to Make a Profit</th>
</tr>
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<tbody>
<tr>
<td>Rent</td>
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<tr>
<td>Gas and Electric</td>
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<tr>
<td>Phone</td>
<td>152.60</td>
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<tr>
<td>Water</td>
<td>19.08</td>
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</tr>
<tr>
<td>Insurance</td>
<td>53.33</td>
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<tr>
<td>Office</td>
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<tr>
<td>Business Supplies</td>
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<tr>
<td>Employee Withholding Taxes</td>
<td>100.00</td>
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<tr>
<td>Gifts Given</td>
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<tr>
<td>Payroll</td>
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<td>Postage and Delivery</td>
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<tr>
<td>Bank Charges</td>
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<td></td>
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<tr>
<td>Licenses and Permits</td>
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</tr>
<tr>
<td>Floor Mat Towel Service</td>
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<tr>
<td>Total (60%)</td>
<td><strong>$ 954.75</strong></td>
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</tbody>
</table>

| Fixed Costs (Tanning)                  |                |                         |
| Advertising                            | **$ 136.00**   |                         |

| Variable Costs                         |                |                         |
| Tan Comission                          | 6.00           |                         |
| Tan Supplies                           | 4.75           |                         |
| Towel Service                          | 0.15           |                         |
| Total                                  | **$ 10.90**    |                         |

| Fixed Income                           |                |                         |
| Booth Rent (60%)                       | **$ 526.50**   |                         |

| Variable Income                        |                |                         |
| Tans                                   | **$ 25.00**    |                         |
### Monthly Financial Info - As It Relates To Tanning

(Tanning Covering 33% of Modern Image Fixed Costs and Receiving 33% of Booth Renter Payments)

<table>
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<tr>
<th>Fixed Costs (General)</th>
<th>Number of Tans</th>
<th>Needed to Make a Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent</td>
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<tr>
<td>Gas and Electric</td>
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<td>Phone</td>
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<tr>
<td>Water</td>
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<tr>
<td>Insurance</td>
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<tr>
<td>Office</td>
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<tr>
<td>Business Supplies</td>
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<td>Employee Withholding Taxes</td>
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<td>Gifts Given</td>
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<td>Payroll</td>
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<td>Postage and Delivery</td>
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<td>Bank Charges</td>
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<tr>
<td>Licenses and Permits</td>
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<td></td>
</tr>
<tr>
<td>Floor Mat &amp; Towel Service</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total (33%)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Fixed Costs (Tanning)       |                |                         |
| Advertising                 | 136.00         |                         |

| Variable Costs              |                |                         |
| Tan Commission              | 6.00           |                         |
| Tan Supplies                | 4.75           |                         |
| Towel Service               | 0.15           |                         |
| Total                       | 10.90          |                         |

| Fixed Income                |                |                         |
| Booth Rent (33%)            | 289.58         |                         |

| Variable Income             |                |                         |
| Tans                        | 25.00          |                         |
Appendix F – New Price Structure

Modern Image Salon & Airbrush Tanning

NEW Tanning Prices

1 session $25
2 sessions $40 (save $10!)
5 sessions $95 (save $30!)
10 sessions + Maintain Lotion $185 (save $65!)
Booster Drops $2

- If 1 session is purchased its price can be applied to the cost of a larger package!
- First Time User or Refer-a-Friend = $20 for 1 session!
Appendix F – New Price Structure

<table>
<thead>
<tr>
<th>Tanning Prices</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1 session</strong></td>
</tr>
<tr>
<td><strong>2 sessions</strong></td>
</tr>
<tr>
<td><strong>5 sessions</strong></td>
</tr>
<tr>
<td><strong>10 sessions</strong></td>
</tr>
<tr>
<td><strong>20 sessions</strong></td>
</tr>
</tbody>
</table>

- If 1 session is purchased its price can be applied to the cost of a larger package!
- First Time User or Refer-a-Friend = $20 for 1 session!
Dear Customers,

We appreciate your business and your recommendations.

Please fill out a survey after using our Airbrush Tanning so that we know how we can better serve you.

We also appreciate positive word-of-mouth advertising.

If you recommend Airbrush Tanning at Modern Image Salon to a friend and your friend uses the service, we will give you $5 off on your next tan. Just tell your friend to mention your name, and we will mark the discount on your customer file.

Thank you for coming to Modern Image Salon!
HOLIDAY SPA PACKAGE

Give someone special a great holiday gift or treat yourself!

Includes:
Manicure, Pedicure, & Airbrush Tan
For only $55
Appendix I – Tanning Pictures

The Results of Airbrush Tanning
### Modern Image Salon & Airbrush Tanning

#### Fixed Costs - General

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent</td>
<td>600.00</td>
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<tr>
<td>Gas &amp; Electric</td>
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</tr>
<tr>
<td>Water</td>
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<tr>
<td>Insurance</td>
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<tr>
<td>Business Supplies</td>
<td>120.00</td>
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<tr>
<td>Employee Withholding Taxes</td>
<td>100.00</td>
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<tr>
<td>Gifts Given</td>
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</tr>
<tr>
<td>Payroll</td>
<td>12.24</td>
</tr>
<tr>
<td>Bank Charges</td>
<td>4.00</td>
</tr>
<tr>
<td>Licenses &amp; Permits</td>
<td>0.64</td>
</tr>
<tr>
<td>Floor Mat &amp; Towel Service</td>
<td>63.17</td>
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<tr>
<td>Other expenses</td>
<td></td>
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<tr>
<td>Other expenses</td>
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</tr>
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</table>

#### Fixed Costs - Tanning

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising</td>
<td>136.00</td>
</tr>
</tbody>
</table>

**Total Fixed Costs:** 562.28

#### Variable Costs

- Tan Commission: 0.00
- Tan Supplies: 4.75
- Towel Service: 0.15

**Total Variable Costs:** 0.00

#### Variable Income - Tanning Sales

<table>
<thead>
<tr>
<th>Description</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td># of $10 tans</td>
<td></td>
</tr>
<tr>
<td># of $15 tans</td>
<td></td>
</tr>
<tr>
<td># of $20 tans</td>
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</tr>
<tr>
<td># of $22 tans</td>
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</tr>
<tr>
<td># of $25 tans</td>
<td></td>
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<tr>
<td># of $35 packages (2 tans)</td>
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<tr>
<td># of $38 packages (2 tans)</td>
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<tr>
<td># of $40 packages (2 tans)</td>
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</tr>
<tr>
<td># of $55 packages (5 tans)</td>
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</tr>
<tr>
<td># of $60 packages (6 tans)</td>
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<td># of $65 packages (6 tans)</td>
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<tr>
<td># of $70 packages (10 tans)</td>
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<td># of $80 packages (10 tans)</td>
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</tr>
<tr>
<td># of $90 packages (10 tans)</td>
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</table>

**Total Fixed Income:** 360.00

**Total Income:** 760.00

#### Allocation of Fixed Costs & Fixed Income

- 100%: Help!
- 50%
- 33% (Set aside in reserve)

**Net Income:** 217.21

**Marketing Budget:** 21.72
**Estimate of Remaining Profit:** 195.49
**Estimated Input from Each Owner:** 0.00
Experience the refreshing mist of an airbrush tan!

• No more streaky, uneven tans!
• No more sweating in tanning beds!
• No more harmful UV rays which can lead to wrinkles and skin cancer!

• Our tans are applied by a trained technician.
• It takes only minutes but lasts 7-10 days.
• Great discount packages offered.

By appointment only, call (765)935-6862

Located at 828 East Main St. in Richmond, IN
Appendix L – *The Earlham Word* Advertisement Information

Advertising Information

If you have questions about our advertising policies that are not answered here or wish to purchase an ad, please don't hesitate to contact us at word-l@earlham.edu.

General Information

Earlham College's community of more than 1000 people, as well as a number of alums, keep track of Earlham's world by reading the Earlham Word every week. The Word is distributed free at several locations around campus as well as mailed to subscribers. Providing features and commentary along with a strong base of news, the student-run newspaper has established a solid, dedicated readership through its own dedication to journalistic excellence and integrity.

Rate Information & Requirements

The Word is a broadsheet publication printed at the Palladium-Item in Richmond, Indiana. The active image area is 12 inches wide by 20 inches tall. The page is divided into six columns, each two inches wide. Our rates are as follows:

- **Campus:** $3.25 per column inch
- **Local/Regional:** $3.75 per column inch
- **National:** $5.00 per column inch

Ad sizes in inches are as follows (wide by tall):

<table>
<thead>
<tr>
<th>size</th>
<th>dimensions (columns X in)</th>
<th>cost (campus)</th>
<th>cost (local/regional)</th>
<th>cost (national)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full page</td>
<td>6c X 20&quot;</td>
<td>$390</td>
<td>$450</td>
<td>$600</td>
</tr>
<tr>
<td>Half page</td>
<td>6c X 10&quot;</td>
<td>$195</td>
<td>$225</td>
<td>$300</td>
</tr>
<tr>
<td>Quarter page</td>
<td>3c X 10&quot;</td>
<td>$97.50</td>
<td>$112.50</td>
<td>$150</td>
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<tr>
<td>Eighth page</td>
<td>3c X 5&quot;</td>
<td>$48.75</td>
<td>$56.25</td>
<td>$75</td>
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<td>Twelfth page</td>
<td>2c X 5&quot;</td>
<td>$32.50</td>
<td>$37.50</td>
<td>$50</td>
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</table>
Appendix M – *The Pioneer Press* Advertisement Information

**INDIANA UNIVERSITY EAST**

**Become a Student** | **Current Students** | **Faculty & Staff** | **Alumni** | **Community Members**

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**Office of Campus Life**

**The Pioneer Press**

The Pioneer Press is IU East's student-run newspaper, published every other Monday during the academic year and twice over the summer.

The staff strives to inform the campus of current news, issues, and activities. Opportunities exist for those interested in writing, editing, photography, and advertising.

**2004 Spring Publication Dates**

<table>
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<th>Deadline</th>
<th>Shelf Date</th>
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<td>February 9</td>
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<tr>
<td>February 23</td>
<td>March 1</td>
</tr>
<tr>
<td>March 8</td>
<td>March 22</td>
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<td>March 29</td>
<td>April 6</td>
</tr>
<tr>
<td>April 12</td>
<td>April 19</td>
</tr>
</tbody>
</table>

NOTE: All Submissions must be received by 5pm on the deadline.

For more information, please contact:

**The Pioneer Press**

Indiana University East
Whitewater Hall
2325 Chester Boulevard
Richmond, IN 47374-1289
Phone: (765)973-8255 or toll free (800)959-EAST
E-mail: eappress@indiana.edu
Appendix N – Holiday Prices

SPECIAL HOLIDAY PRICES
Now through Dec 31!

1 session.... $20
3 sessions.. $50
5 sessions.. $80

1 session for only $10
when you buy a bottle of
Maintain Lotion for $25!

Tan on Wednesdays
10am-6pm for $15!
Appendix O – Thesis Collaboration Breakdown

As described in the honors thesis proposal, the breakdown of individual parts for the final thesis report and corresponding Microsoft Excel program went as planned. As a member of the University Honors Program, Scott was responsible for furthering the analysis performed for Modern Image Salon and Airbrush Tanning.

The research performed and the report generated for Modern Image used an entirely collaborative process. The solutions uncovered for the salon were based on brainstorming sessions and conversations between Krysia and Scott. The separation between the partners in order to meet Honors requirements came from the creation of the Microsoft Excel bookkeeping system for which Scott was solely responsible.

The program is mentioned in the “Solutions Not Implemented” section of the report. Its creation began during the final stages of the consulting process. Its completion accounted for the crux of the additional work that Scott performed to fulfill Honors requirements. A copy of the program is provided within the back cover of this report.