

Apple or Pear shaped profits? Three ways your profits can give juicy returns...

By Neil Osborne



on one product line is business suicide. That is, unless a similarly profitable replacement is created and established ... before the decline of the original cash cow.

What has Apple done? The newly launched Apple Watch moved them into a whole new category—the fashion and design market—where luxury price tags are the norm.

With its range of price points, one leading market analyst, Carl Howe, estimates that the new Apple Watch range carries gross margins of at least 60%, making it Apple's most profitable product line ever.

Even the Apple Stores—overwhelmingly predicted in 2000 as a huge failure—are embarrassingly profitably, have nailed the holy grail of retail. Recently tracked to be averaging \$4,551 in sales per square foot of retail space over a 12-month period (eMarketer RETAIL, May 2014), they were ranked number one ahead of traditional retailers like Tiffany & Co (3rd with \$3043) and Lululemon Athletica (6th with \$1841).

WHAT NEW SLIVERS CAN YOU FIND FOR YOUR SALON?

Take a hard look at your business for places and ways that you can 'up the ante.' Consider offering a service or an experience that is truly unique amazing ... and profitable! Or there's always new technology—like the 'plex' additive—that's popping up ... see how you can take it on and create a new profitable sliver of income.

SO... WHAT'S YOUR FIRST STEP TO PROFIT SHAPE YOUR BUSINESS?

Nothing compares with the feeling of building a business, attracting loyal customers and regularly wowing them. That's why the first thing you need to do is identify and understand the sliver of the salon market you can effectively serve.

The answer, as you may imagine, is different for every business.

But if you want your salon to be a profit powerhouse, make sure you pick well and only serve the juiciest slice — like Apple does.

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reported Richard Holway, the chairman of research firm TechMarketView, as saying that part of the reason for Apple's success is its premium brand. "It's a bit like having a designer label" he said. "Right back to the launch of the Mac in 1984, Apple has been a fashion icon as well as being very good on the technological side. What people want is the cachet that comes with having an Apple product."

It is brand loyalty and belief that helps deliver your profit, not necessarily volume.

HOW CAN NICHING WORK FOR YOUR SALON?

Perhaps there's a unique tribe of customers that you can build — ones that happily pay a premium for your specialised services. Or maybe ... deliver unexpected delights during each visit, so they look forward to the surprise that accompanies their appointment.

2. Keep more money: Don't try to live on razor-thin margins.

Much has been written about the innovation of the iPhone, but less attention has been paid to just how profitable it is. Other tech brands may have a bigger share of the market—Samsung, for instance, actually sells more phones than Apple—but Apple makes an extraordinary amount from the iPhone.

Remember the 34,000 iPhones they sold every hour, every day, for three months? That was almost two-thirds of Apple's revenue (and similar profit margin) for the period, and was more than the combined last quarter sales of Microsoft and Google.

To maintain its profit, Apple refuses to either price cut or deal their products. It requires all of its products make money and will not degrade its nearly 40 per cent average gross margin.

And what have they achieved by keeping an iron-fist on margins? According to the book,

Inside Steve Brain by Leander Kahney, in 2007 Dell was the biggest PC manufacturer in the world, with 30% of the US market. Apple trailed third, with only 6.3% share. Yet in the third quarter of 2007 Apple reported a record profit of \$818m, while Dell earned only \$2.8m profit, despite having sold five times more machines.

HOW CAN YOU WORK THE MARGINS IN YOUR SALON?

It's simple: stop discounting. According to recent Shortcuts research, discounting is rife in our industry, with almost 12% of all transactions including a discount of some kind. Any discounting you do comes straight off your bottom line profit, so by stopping it, you're automatically adding back profit.

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3. Create new profitable slivers: Look for new ways to deliver increased margins.

For a long time, Apple has made ungodly sums of money from the seven-year old iPhone. However sales (and profit) reliance



If asked to name the key business element that Apple has mastered, what answer would you give? Perhaps design, innovation, marketing or even smart supply-chain creation and control? Yes, they've nailed all those things. But their real mastery ... is profit propagation.

When Steve Jobs re-joined Apple in 1997, it was a mere 90 days from bankruptcy. And yet, at the end of 2014, it smashed its way into the record books by reporting the largest quarterly profit ever in corporate history—\$18bn—by selling 34,000 iPhones an hour around the clock, every day, from October to December.

You may ask how, in less than 20 years, they went from bankruptcy to now. Typical of Apple, the lesson is elegant in its simplicity:

by unfailingly serving the juiciest slice of the market and in doing so, turning a big fat profit.

HOW CAN YOUR SALON BE MORE LIKE APPLE?

Their focus on profit is legendary. Here are three secrets to help you shape your salon business in the highly profitable Apple shadow.

1. Go niche: Seek the most profitable

piece of the market, not necessarily the largest.

From the start of their reinvention, Apple went niche ... they never tried to be the machine on every desk in America. Their strategy was to create a narrow tribe of brand-lovers and then go deep in their pockets by serving them in remarkable ways.

The UK News site, The Independent, recently