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6.0 Unit Overview & Description:

Overview

This unit will provide information about the various aspects of business such as finding and retaining staff, the uses of book keeping, budgeting and what is marketing.

Knowledge and skill outcomes

This Unit will impart following Knowledge and skills:

- The factors kept in mind while recruiting a staff member and the procedure to recruit a staff member.
- The basic knowledge of book keeping and its types.
- The importance of a Budget when setting up a business and types of Budget.
- The importance of marketing and the use of technologies.

Duration: Theory - 10 hrs. (15 Periods) 05 Marks

Resource Material:

- Business Practice for Therapists- Nicola Jenkins
- Marketing and Advertising for the Salon- Henry T. Gambino
- Salon Management - Martin Green
- Good Practice in Salon Management- Dawn Mernagh and Jennifer Cartwright
- Succeeding in Business- Pip Hardy & Tony Summer

Learning Outcomes:Unit-6: Business Studies

6.1 Finding and keeping staff	Outcomes
	You will be able to understand • How to hire staff • The different positions in an average spa • Considerations when calculating staff numbers • The recruitment process
6.2 Book Keeping	You will be able to understand • What is book keeping • Different methods of book keeping
6.3 Budgeting	• What is a Budget? • What is the need for a Budget? • Different types of Budget
6.4 Marketing	You will be able to understand • What is marketing? • Use of technologies in marketing.

Assessment Plan for the Teacher:

Unit I	Topic	Assessment Method	Time Plan	Remark
6.1	Finding and keeping staff	Exercise: Question & Answer		
6.2	Book Keeping	Exercise: Question & Answer		
6.3	Budgeting	Exercise: Question & Answer		
6.4	Marketing	Exercise: Question & Answer		

6.1 Finding and Keeping Staff:

Hire the staff carefully:

Payroll related costs are the most expensive one which the employer has to bear while running an organization. The global average is approx. 40% of expenses in the form of salaries of the employees and an additional 10% in the form of employee benefits.

The typical positions required in the average spa:

- **Manager**
- **Assistant Manager** (May double with senior role)
- **Receptionists**- Often double as consultants
- **Senior Therapist**- Acts as a team leader
- **Trainer**- May be a senior therapist in small spas
- **Therapists**- Generalist, Specialist, multi skill, massage or beauty
- **Attendants**- M/F attending the guest in changing rooms
- **Consultant**- Freelance or visiting



Figure: Selection of Staff

Considerations when calculating staff numbers:

a) How is staff remunerated?

- Fixed salary: This offers security but no incentive, is given increases the fixed costs.
- Salary plus commission: Lower base salary but incentives based on performance
- Pay by treatment (commission only): It includes no fixed costs, however it will create many staff related problems if business is irregular or slow.

b) How many treatment tables?

- Established spa employ: approx 1.2-2 therapists per treatment table depending on the opening hours.
- At opening, it is recommended that we should employ 1 therapist per treatment table.

c) Days off, annual leave, etc.

- Factor days off, annual leave and public holidays must be included into our planning.

- Hotel industry is moving from six days/week to five days/week. Also, the issue of increasing the no. of staff important.

d) Seasonality/ Peak periods.

- Seasonality is a major challenge for many resort spas; A very small core team and reliance on seasonal or casual labour increases. The challenging for consistency & the need for training.
- Usage patterns depend on the local culture and the spa's location, however as a general rule, spa's peak hours are from 2-8pm weekdays, and on weekends.
- While recruiting staff, make sure they are prepared to work for these hours.

e) In General:

- Hire all staff against detailed job specifications.
- "Hire slowly, Fire fast."
- Structure remuneration for staff retention.
- Be honest about the business and their role.
- All staff to be given contract, including a detailed job description.
- Ensure that job description is made with flexibility.
- All staff should be given a Staff Handbook.

f) Other tips:

- Handwritten application form.
- Consider personality tests.
- Check for references.

The Recruitment Process:

- 1) **Application form-** look at neatness & thoroughness; attention to detail.
- 2) **Resume-** presentation, qualifications, experience, periods of unemployment.
- 3) **Interview with Spa Manager-** Be prepared: read the resume, have job description, salary information and other information handy; allocate uninterrupted time.
- 4) **Skills Testing-** Manager, trainer or senior therapist to test therapy applicants. Evaluate according to written checklist.
- 5) **Language testing-** Written & Verbal.
- 6) **Reference checks-** At least 2 referees. Don't skip this!
- 7) **Make the offers-** Let unsuccessful applicants know, about the offers quickly. Keep the resumes of potential candidates on hand.
- 8) **Make all necessary arrangements-**Employment related paper work, arrange uniforms, name tags, etc. should be available handy.

Review Questions:

- Q1. Which are the typical positions in an Average Spa?
 Q2. What are the considerations when calculating the number of staff?
 Q3. What are the steps in the recruitment process?

A book keeper also known as an accounting clerk or accounting technician is a person who records the day-to-day financial transactions of an organization. A book keeper is usually responsible for writing the "daybooks". The daybooks consist of purchases, sales, receipts and payments. The book keeper is responsible for ensuring all transactions that are recorded in the correct day book, suppliers' ledger, customer ledger and general ledger.

DAYBOOKS

- Sales daybook, for recording all the sales invoices.
- Sales credits daybook, for recording all the sales credit notes.
- Purchases daybook, for recording all the purchase invoices.
- Purchases credits daybook, for recording all the purchase credit notes.
- Cash daybook, usually known as the cash book, for recording all money received as well as money paid out. It may be split into two daybooks: receipts daybook for money received in, and payments daybook for money paid out.
- Petty Cash daybook for recording small value purchases paid for by cash
- General Journal daybook, for recording journals

PETTY CASH BOOK

A petty cash book is a record of small value purchases. Items such as coffee, tea, birthday cards for employees, stationery for office working, a few rupees if we're short on postage, are listed down in the petty cash book.

JOURNALS

Journals are recorded in the general journal daybook. A journal is a formal and chronological record of all financial transactions before their values are accounted for in the general ledger as debits and credits. A company can maintain one journal for all transactions, or keep several journals based on similar activity (i.e. sales, cash receipts, revenue, etc.) making transactions easier to summarize so that reference could be taken later. For every debit journal entry recorded, there must be an equivalent credit journal entry to maintain a balanced accounting equation.

LEDGERS

A ledger is a record of accounts. These accounts are recorded separately showing their beginning/ending balance. A journal lists financial transactions in chronological order without showing their balance but showing how much is going to be charged in each account. A ledger takes each financial transaction from the journal and records them into the corresponding account for every transaction listed. The ledger also sums up the total of every account which is transferred into the balance and income statement. There are 3 different kinds of ledgers that deal with book-keeping. Ledgers include:

- Sales ledger, which deals mostly with the accounts receivable account. This ledger consists of the financial transactions made by customers to the business.
- Purchase ledger is a ledger that goes in and hand with the Accounts "Payable account". This is the purchasing transaction a company does.
- General ledger representing the original 5 main accounts: assets, liabilities, equity, income, and expenses.

Review Questions:

- Q1. What is book keeping?
- Q2. What is day book?
- Q3. What is petty cash book?
- Q4. What is a ledger?

6.3 Budgeting:

A **budget** (from old French *baguette*, purse) is a financial plan and a list of all planned expenses and revenues. It is a plan for saving, borrowing and spending.

A budget is an important concept in micro economics which uses a budget line to illustrate the trade-offs between two or more goods. In other terms, a budget is an organizational plan stated in monetary terms.

In summary, the purpose of budgeting is to:

1. Provide a forecast of revenues and expenditures, that is, construct a model of how our business might perform financially if certain strategies, events and plans are carried out.
2. Enable the actual financial operation of the business to be measured against the forecast.
3. Establish the cost constraint for a project, program, or operation.



Figure: Preparation of Budget

What is the need for a budget?

Budget helps in the planning of actual operations by forcing managers to consider how the conditions might change and what steps should be taken then also by encouraging the managers to consider problems before they arise. It also helps to co-ordinate the activities of the organization by compelling managers to examine relationships between their own operation and those of other departments. Other essentials of budget include:

- To control resources
- To communicate plans to various responsibility center managers.
- To motivate managers to strive to achieve budget goals.
- To evaluate the performance of managers
- To provide visibility into the company's performance

Business start-up budget:

The process of calculating the costs of starting a small business begins with a list of all necessary purchases including tangible assets (for example, equipment, inventory) and services (for example, remodeling, insurance), working capital, sources and collateral. The budget should contain a narrative explanation of how you decide the amount of this reserve and a description of the expected financial results of business activities. The assets should be valued with each and every cost. All other expenses are like labour factory expenses and overhead all freshmen expenses are also included into business budgeting.

Budget types:

- **Sales budget**– It is an estimate of future sales, often broken down into both units and dollars. It is used to create company sales goals.
- **Production budget**– It is an estimate of the number of units that must be manufactured to meet the sales goals. The production budget also estimates the various costs involved with manufacturing those units, including labor and material. It is created by product oriented companies.
- **Cash flow/cash budget**– This is a prediction of future cash receipts and expenditures for a particular time period. It usually covers a period in the short term future. The cash flow budget helps the business to determine when income will be sufficient to cover expenses and when the company will need to seek outside financing.

- **Marketing budget**– This is an estimate of the funds needed for promotion, advertising, and public relations in order to market the product or service.
- **Project budget**– This is a prediction of the costs associated with a particular company project. These costs include labour, materials, and other related expenses. The project budget is often broken down into specific tasks, with task budgets assigned to each. A cost estimate is used to establish a project budget.
- **Revenue budget**– This consists of revenue receipts of government and the expenditure met from these revenues. Tax revenues are made up of taxes and other duties that the government levies.

Review Questions:

- Q1. What is a budget?
- Q2. What are the essentials of a budget?
- Q3. What is a business start up budget?
- Q4. What are the different types of budgets?

6.4 Marketing:

Marketing is "the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large."

For business to consumer marketing, it is "the process by which companies create value for customers and build strong customer relationships, in order to capture value from customers in return". For business to business marketing it is creating value, solutions, and relationships either short term or long term with a company or brand. It generates the strategy that underlies sales techniques, business communication, and business developments. It is an integrated process through which companies build strong customer relationships and create value for their customers and for themselves.

Marketing is used to identify the customer, satisfy the customer, and keep the customer. With the customer as the focus of its activities, marketing management is one of the major components of business management. Marketing has been evolved to meet the stasis in developing new markets caused by mature markets and over capacities in the last 2-3 centuries.

The adoption of marketing strategies requires businesses to shift their focus from production to the perceived needs and wants of their customers as the means of staying profitable.

The term *marketing concept* holds that achieving organizational goals depends on knowing the needs and wants of target markets and delivering the desired satisfactions. It proposes that in order to satisfy its organizational objectives, an organization should anticipate the needs and wants of consumers and satisfy these more effectively than competitors.

The term marketing developed from an original meaning which referred literally to going to a market to buy or sell goods or services. Seen from a systems point of view, sales process engineering marketing is *"a set of processes that are interconnected and interdependent with other functions, whose methods can be improved using a variety of relatively new approaches."*



USE OF TECHNOLOGIES:

Marketing management can also rely on various technologies within the scope of its marketing efforts. Computer-based information systems can be employed, aiding in better processing and storage of data. Marketing researchers can use such systems to devise better methods of converting data into information, and for the creation of enhanced data gathering methods. Information technology can aid in enhancing software and hardware components, and improve a company's marketing decision-making process.

In recent years, the notebook personal computer has gained significant market share among laptops, largely due to its more user-friendly size and portability. Information technology typically progresses at a fast rate, leading to marketing managers being cognizant of the latest technological developments. Moreover, the launch of smart phones into the cell phone market is commonly derived from a demand among consumers for more technologically advanced products. A firm can lose out to competitors should it ignore technological innovations in its industry.

Technological advancements can lessen barriers between countries and regions. Using the World Wide Web, firms can quickly dispatch information from one country to another without much restriction. Prior to the mass usage of the Internet, such transfers of information would have taken longer to send, especially if done via snail mail, telex, etc.

Recently, there has been a large emphasis on data analytics. Data can be mined from various sources such as online forms, mobile phone applications and more recently, social media.

Review Questions:

- Q1. What is marketing?
- Q2. What is the use of technologies in marketing?

6.5 Conclusion:

In the above unit we have seen the various aspects about business studies. The methods of recruiting staff, various factors to be taken into consideration when recruiting them, and the complete recruitment process. We have also seen the importance of Book keeping, Budgeting and their types and also marketing. These factors are very important when starting a new business as they will contribute to a considerable amount of savings if done in the right way. It will also keep a tab on your expenses, if you have a daily record of all your financial transactions. This will lead to an effective and a successful business venture.

Exercise Questions

- Q1. Calculate the requirement of personals is a spa to be opened recently?
- Q2. Prepare a budget for stat up business?
- Q3. What kind of marketing will be done for state up business?