DANCE STUDIO OWNERS INNER CIRCLE

INNER CIRCLE

FINANCE MODEL

YOUR INNER CIRCLE FINANCE MODEL

The activity of financial modeling is simply a useful way of to know your studio better and documenting the logistical and market dynamics that are going to affect you.

MODELING YOUR REVENUE STREAMS

Did you know that there are 12 core revenue straems in your dance studio? In order to assess and plan for their financial viability and profit potential, it's important to craft a business model that takes into account your expenses vs profit for each of these streams:

1. Birthday Parties
2. Costumes
3. Group Lessons (Recreational)
4. Group Lessons (Competition)
5. Merchandise
6. Private Lessons
7. Recital/Concert
8. Shop - Snacks & Drinks
9. Studio Hire
10. Uniforms
11. Workshops & Camps
12. VIP Program

The first step in creating your financial model anything is to brainstorm and making a list of everything that's involved in the business, as well as how it is delivered.

To start with an example, let's talk about your **merchandise** revenue stream, and answer these 3 initial questions.

1. What goes into the product?

In order to make a profit from your merchandise you will need to source clothing and promotional items.

2. How do you make or source the product?

You will most likely order stock from a supplier, or have your merchandise custom-made.

3. How do you deliver the product?

Do you have a dedicated shop set up?
Are you selling online?
Or perhaps a 'merch-stand' in your foyer?
Do you have stock on hand, or is it by pre-order only?
What payment methods do you accept?

In order for your model to be realistic, you have to account for two more things when you calculate your overheads: ***waste*** and ***contingency***

Waste is any of the product that you lose without recouping any payment for - for example, if you purchase too much stock and are unable to sell it all.

Contingency means anything that can go wrong and will require an extra cost that is impossible to predict - for example, weather damage or theft.

GETTING STARTED

Before you start building your model, you should have a very good idea of the overall structure and flow you're creating. In order to do that, you need to know what questions you need to answer.

Examples of questions:

- What are the key drivers of revenue for my business?
- Which business model is better?
- What pricing model should we use? (eg - tiered pricing)
- How would revenues look like if we did X vs. Y vs. Z?
- How quickly do we need to grow in order to hit our profit goals?

Don't try to answer all of them at the same time, just start with one or two key questions so you can get it clear in your mind when you start modeling your business

DESIGNING YOUR CLEAR FINANCIAL MODEL

What makes a financial model clear:

- It's readable, with labels that are self-explanatory
- The flow is logical and easy to follow
- It's usable 12+ months later
- If you show it to anyone, they can figure out what you're doing and what your assumptions are.

YOUR FINANCE MODEL CHECKLIST

When tracking the profit, loss and budget for each revenue stream, you need to track the following data:

1. What are your monthly sales for each stream?
2. What are your monthly costs for each stream?
3. What is your total monthly revenue?
4. What are your total monthly expenses?
5. What percentage of your monthly revenue does each revenue stream account for?
6. What percentage of your monthly expenses does each revenue stream account for?

Your Dance Studio's Core Financial Considerations (non-specific to revenue stream)

- How many instructors do you have?
- What are your monthly instructor expenses?
- What is your monthly rent?
- How much do you invest each month in marketing / advertising?
- Have you set yourself up with an automatic paycheck? If so, what amount?
- What is your goal amount to pay yourself per month?
- Do you have a plan to build and save up cash for the slow months during the year?

Class Capacity And Expansion Potential

- On average what is your **class capacity percentage*** for company classes?
- On average what is your **class capacity percentage** for recreational classes?

**Class capacity = The current number of students in a selected class, divided by the number of student that you can accommodate in the class before it is considered 'full'.*

For example, in a class that can fit 20 students, if you have 10 students attending your capacity is 10/20 x 100 = 50% . You can download the Studio Success Formula Class Capacity spreadsheet here.

CLICK HERE TO DOWNLOAD YOUR INNER CIRCLE FINANCE MODEL CALCULATOR

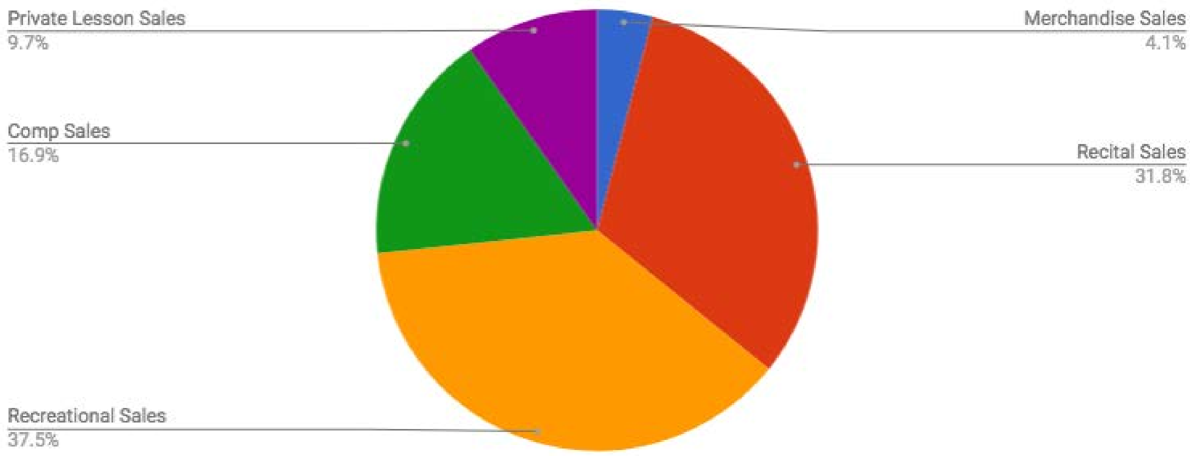
	Sales	Expenses	Profit
Merchandise	1250	644.6	605.4
Recital	9770	4322	5448
Recreational	11551	3100	8451
Company	5200	4198	1002
Private lessons	3000	2000	1000

Here is an example of what your monthly finance model might look like. Here we have used the example of a studio with 5 active revenue streams.

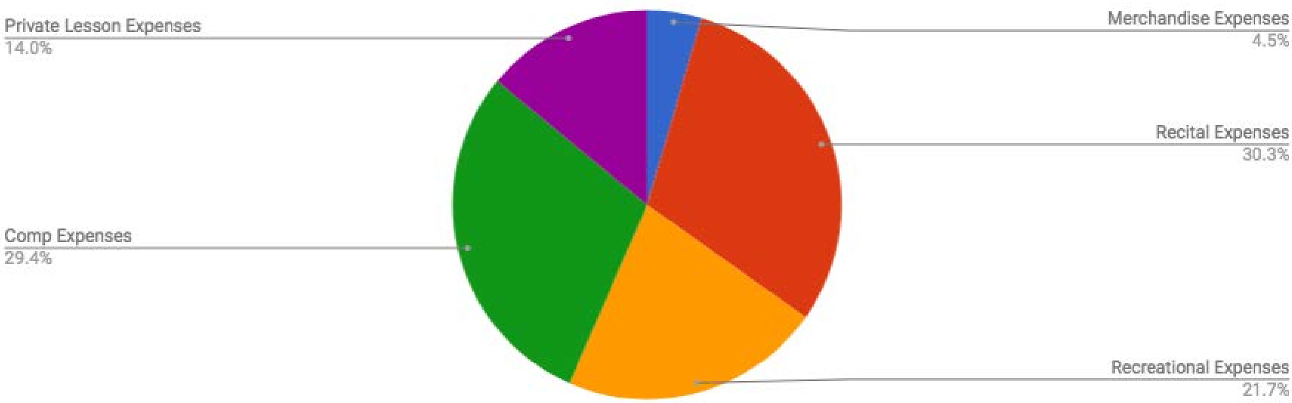
To get an accurate reading of your expenses, it is crucial to allocate all expenses to the correct revenue and expense stream.

For example – A teacher earns $80 per week, teaching 2 hours of comp class and 2 hours of private lessons. Expenses = $40 to comp and $40 to private lessons.

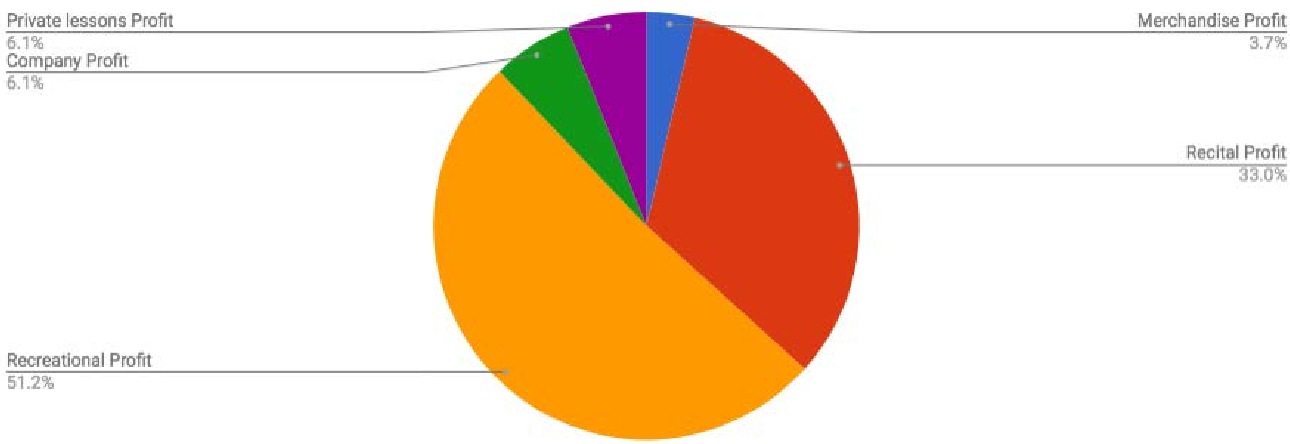
MONTHLY SALES



MONTHLY EXPENSES



MONTHLY PROFIT



BONUS – JUSTIN KRANE'S MONTHLY CASH FLOW PLAN

	description	*input amount*
SALES	*This is the money you make by selling your products.*	$ 0.00
COST OF GOODS SOLD	*All of the costs used to create a product. It includes the labor and materials used to make a product.*	$ 0.00
GROSS PROFIT	*The profit your company makes before paying for overhead and general business expenses.*	$ 0.00
TAXES	*This is the money you set aside to pay your taxes. (20% of gross profits*)*	$ 0.00
EXPENSES	*This is the money you spend in your business. If you pay yourself a salary, this number is also included.*	$ 0.00
DISTRIBUTIONS	*This is the money you need to take out of your business to pay your personal bills.*	$ 0.00
NET PROFIT	*Cash In The Bank: This is how much money you keep after you pay expenses and take distributions.*	$ 0.00

Are your profits equal to 10% or more of your sales?

☐ YES ☐ NO

JUSTIN KRANE
{money strategy for your business}

**Please note: the 20% tax calculation is a guide. Please consult your tax advisor for more information.*