

A PUBLICATION OF JK NORTH AMERICA

SUN

2008

Business

THE COMPLETE GUIDE TO THE BUSINESS OF INDOOR TANNING

SOUND SALON SITES

10 TIPS FOR FINDING
THE RIGHT LOCATION,
LOCATION, LOCATION

ANALYZING CUSTOMER SPENDING

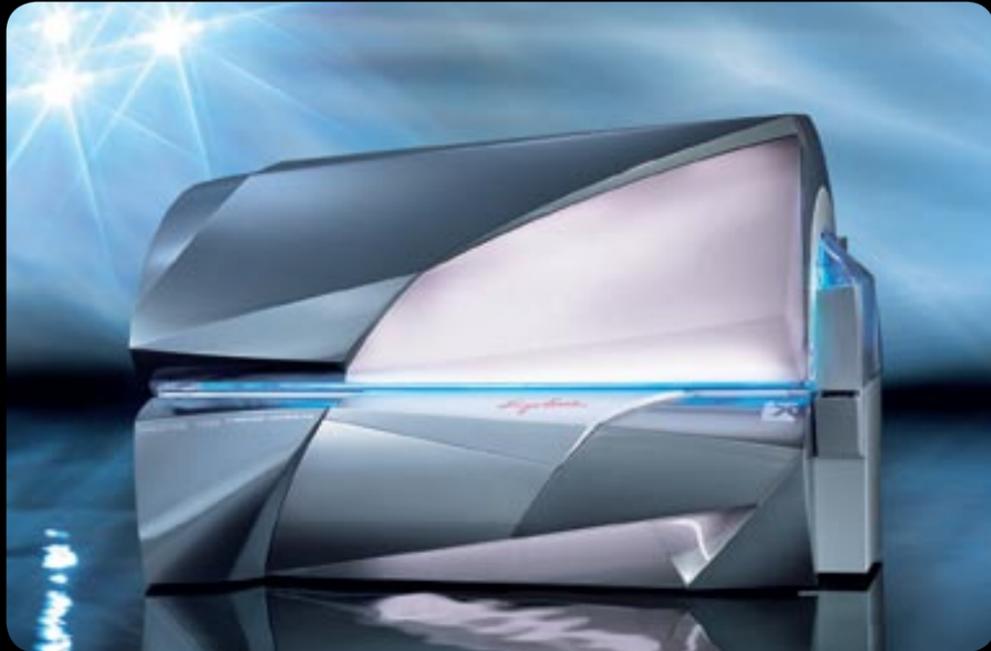
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Welcome to JK North America

The Company that Wrote the Book
on the Business of Indoor Tanning

Read this and learn...The information, facts and findings presented in Sun Business are the direct result of JKNA's continuing, in-depth program of market research and analysis.

The close, working customer relationships that JKNA has established – during more than 24 years as one of the world's leading manufacturers of premium quality indoor tanning equipment – has provided a unique vantage point from which to observe, analyze and guide the future of our industry.

The Sun Business of today attracts entrepreneurs from a wide variety of personal and business backgrounds. While each has their own individual aspirations and expectations – they all share the common goals of achieving personal and financial success.

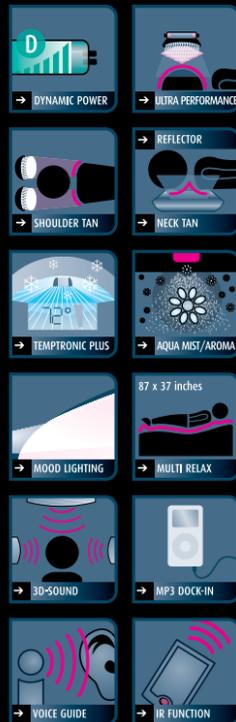
Today, more and more entrepreneurs turn to JKNA for assistance in achieving their goals.

Learn this and earn...Evidenced by the industry's most comprehensive marketing support programs and leading-edge publications – including the award-winning Sun Business Magazine – Sun Ergoline has set the standard by which all companies must now be judged.

JKNA has raised the bar of industry professionalism, providing current salon owners and potential salon owners with an extensive array of support services. Each is designed to educate and provide a thorough understanding of each aspect of the Sun Business.

As you read Sun Business and examine the many fine products and services available to you, we ask that you consider the possibilities and explore the many opportunities set before you. We invite you to contact us to arrange a personal consultation with a professionally trained JKNA representative.

Sincerely, Your JK North America Team





What's your Flavor?

Let us tempt you with the freshest, sexiest, most powerful tanning beds on the planet. We know everyone's tastes are different. So take your pick from the M-60 Banana Beach, the L-65 Charming Cherry, the XL 75 Flying Orange, or the spicy, super-sized XXL Chili Power.

Whatever your tanning appetite, they're sure to satisfy. In perfect portions, with perfect color, every time you tan.

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WE KNOW WHAT YOU CRAVE.**

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Visit www.soltron.us or call Toll-free: 866.243.9861**

XXL-95 CHILI POWER

XL-75 FLYING ORANGE

L-65 CHARMING CHERRY

M-60 BANANA BEACH



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Selecting the Right Location

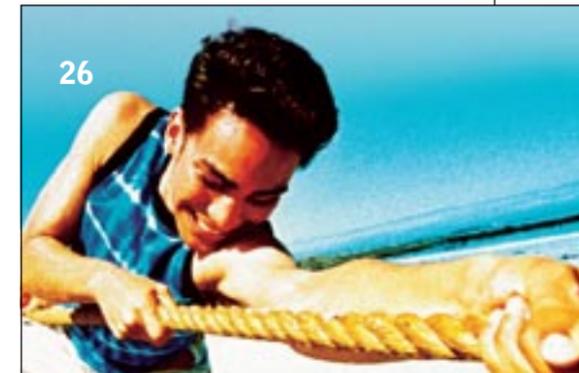
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Competition

The Good, the Bad –
and the Useful

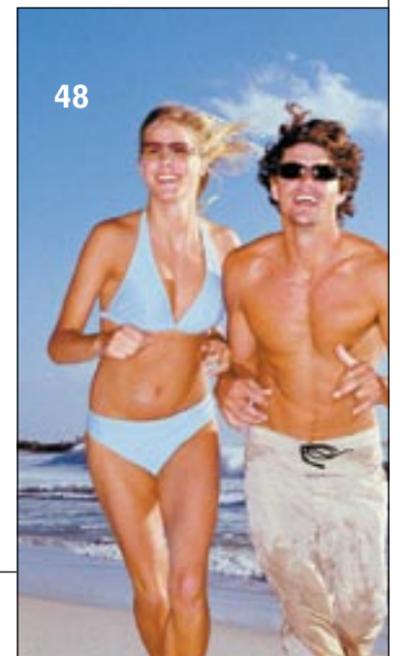
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The Big Picture

Dollars-per-Customer-per-Year

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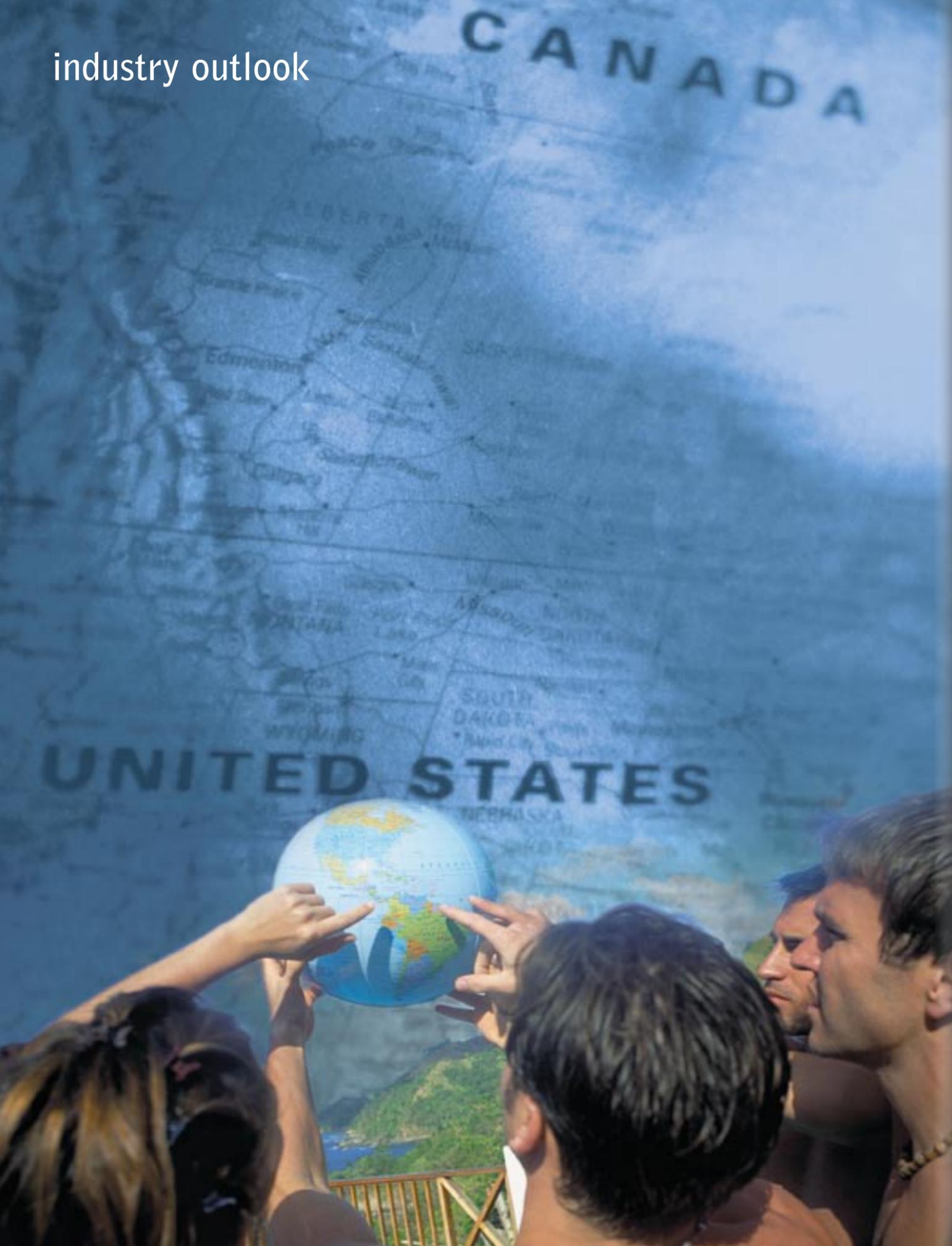
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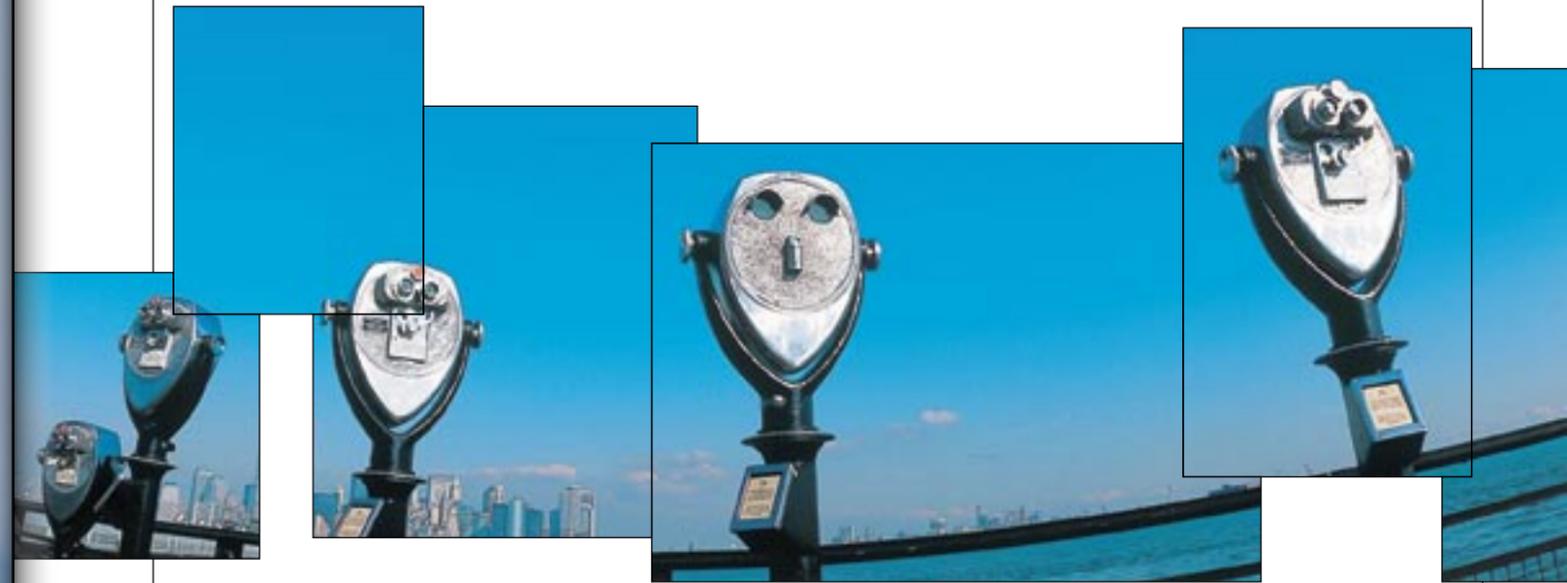
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Notice: Read the mandatory FDA warning found on every tanning machine for important information on potential eye injury, skin cancer, skin aging, photosensitive reaction and proper use.

Compliant protective eyewear must be worn when utilizing an indoor tanning device.



A BRIGHT OUTLOOK FOR TANNING SALON OWNERS



STATE OF THE INDUSTRY

Analyzing the more than 24 year history of the indoor tanning industry in the United States and Canada, one is both inspired and awestruck by the tremendous accomplishment, growth and prosperity that have been enjoyed by so many people for such a long and sustained period. What was once considered a passing fad has today become a favorite pastime and lifestyle activity for more than 30 million of the most fitness and appearance-conscious consumers living in North America.

At the same time many experts see our industry as being only in its infancy. They state that the evolution of the business of indoor tanning appears to directly parallel the growth and success patterns of other successful industries

including hotel/motel, video rental and fitness. Business historians further state that the tanning industry of today actually mirrors, in many ways, the video and fitness industries of the very early 1980s.

The similarities to these industries at the various stages of business development are almost uncanny. Compared accordingly, the business of indoor tanning is only now begin-ning to appear on the radar screens of mainstream consumerism.

While these are indeed positive comparisons, the most convincing model for providing future guidance for the indoor tanning industry is the clear path already established by the more mature European market.

At the same time many experts see our industry as being only in its infancy.

STATE OF THE INDUSTRY

The European Model In countries such as Germany, which is considered to be the birthplace of indoor tanning, it is estimated that upwards of 30% of the population may actively tan indoors. In Germany and throughout many parts of Europe, tanning salons dot the landscape. It is not uncommon to have several successful salons located in towns of less than 5,000 people.

Applying the same percentage to the current population of the United States and Canada would indicate that the potential exists for up to 100 million active indoor tanners in North America.

That is more than three times the current estimated total and represents a phenomenal sales and marketing opportunity for decades to come.

Some sections of the United States are already experiencing European-style success. While it is generally accepted by industry researchers that on average, approximately 10% of the North American population tans indoors, select markets have surpassed this figure and are fast approaching numbers that may exceed 15%.

It is true that indoor tanning is increasingly popular from Maine to California. However, in many states including North Carolina, South Carolina, Ohio, Texas and Arkansas (to name a few), demand for indoor tanning is extremely heavy by North American standards. Analyzing these markets may present a clear window for gauging the true potential of indoor tanning.

A Case Study: North Carolina

A recent in-depth study of tanning salons and commercial tanning locations conducted in North Carolina provides intriguing details on industry growth, customer demographics, marketplace analysis and business-to-consumer ratios.

North Carolina was selected for the study for several reasons. First, the state provides an ideal working model that in many respects is a demographic microcosm of the entire United States. Second, Sun Ergoline tanning equipment enjoys a large share of the successful North Carolina market. Accordingly, this provides Sun Ergoline with a unique vantage point from which to openly analyze the marketplace and document our research.



According to the study, in 2002 there were 2,556 commercial tanning facilities in North Carolina.

Of these, 672 (26.3%) are classified as Tanning Salons. That is, their main business and source of revenue is indoor tanning.

1,128 (44.1%) are classified as Beauty Salons that feature indoor tanning as an additional service. Another 165 tanning locations (6.5%) are found in Nail Salons. Most Beauty and Nail salons feature one or two tanning systems.

218 (8.5%) are classified as Fitness Centers or Health Clubs and offer indoor tanning as an additional service of the business.

A surprising 373 tanning locations (14.6%) are comprised of Video Rental and other miscellaneous retail type stores.



Product Mix According to the study, 7,759 tanning beds are in use along with 332 tanning booths for a total of 8,091 commercial tanning units.

Population Study The United States Census for the year 2000 estimates the population of North Carolina to be 8,049,313. And of these, 72.1% or 5,804,656 people are Caucasian (white).

Of the 5,804,656 Caucasian people, 60% or 3,483,648 are between the ages of 16 and 59. This is the category of people who are most likely to patronize or have the potential to patronize a tanning salon.

Critical Mass With our thorough, first-hand knowledge of the marketplace we conservatively estimate that on an overall basis, approximately 15% of the population of North Carolina may be tanning indoors. This is based on our understanding of the critical customer mass required to support the number of locations and commercial tanning units in operation in the state. Furthermore, in some concentrated sections of the state, the number may be close to 18%.

There is still much more room for market expansion in North Carolina.

In fact, the solid foundation established within the state provides salons – both existing and new – with the fundamentals needed for continued expansion – and an immediate, built-in advantage over other areas where indoor tanning is less utilized.

The Big Picture Utilizing the performance data from the European model and applying it to the current business climate and product awareness level among the population of North America, we can further estimate that the indoor tanning industry has the potential to double within the next 7-10 years.

Indoor tanning allows people to change and enhance their appearance – look good and feel good – by doing virtually nothing!

What an incredible concept! You relax, close your eyes, listen to music and effortlessly enhance your appearance.

Why We CHOOSE TO Tan.

The Psychology of the Sun Business

Yes, achieving a tan is the desired result of the tanning salon experience. However, the psychological reasons behind this desire provide the solid foundation for the continued growth and prosperity of the indoor tanning industry.

It is perfectly natural to be interested in improving your physical appearance and mental disposition. Maintaining a positive outlook is essential to a person's ability to lead a productive and enjoyable life. How we look is often influenced by how we feel – and vice versa.

However, the pressures and hectic pace of everyday life often leaves little time for relaxation and self-enhancing activities.

Indoor tanning on the other hand, allows people to change and enhance their appearance – look good and feel good – by doing virtually nothing!

What an incredible concept! You relax, close your eyes, listen to music and effortlessly enhance your appearance.

The modern era of indoor tanning started almost 30 years ago in Europe. Since that time, millions of people have expressed

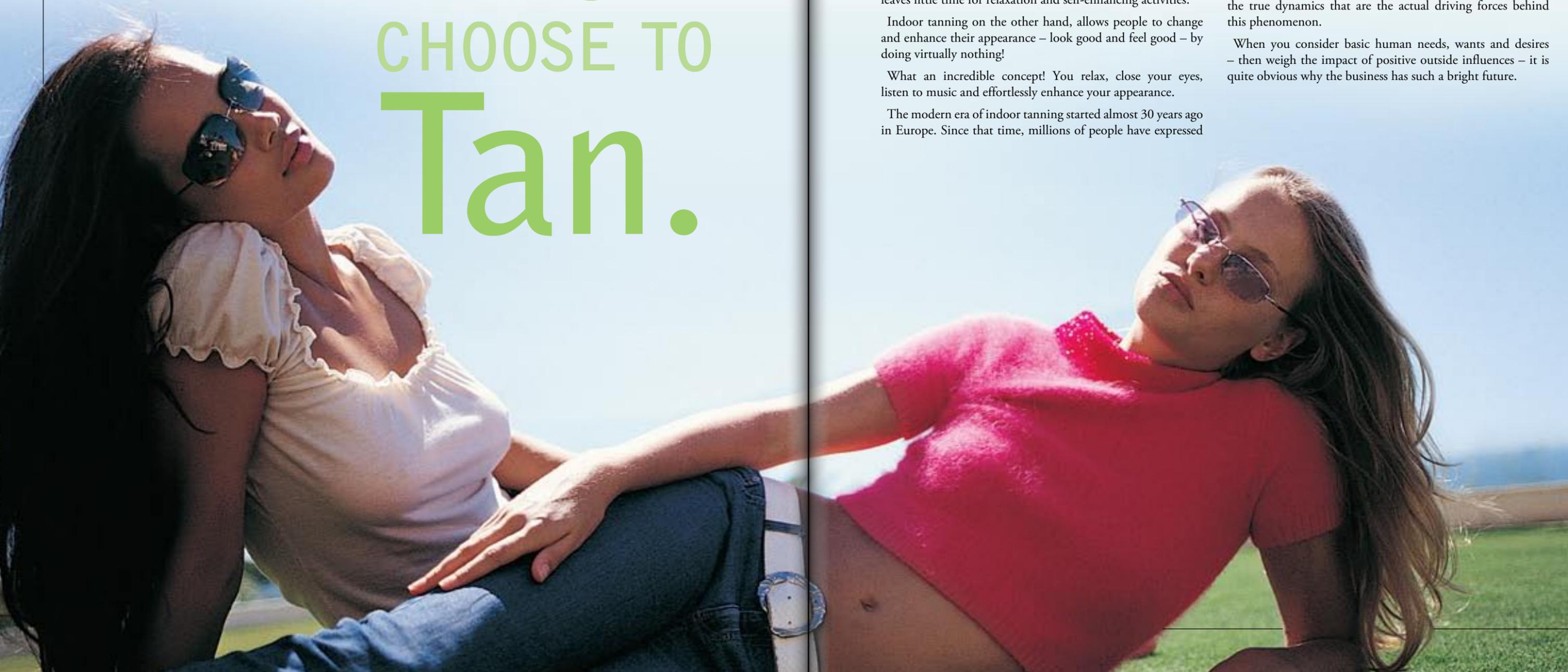
their preferences with their wallets and pocketbooks by spending billions of dollars in the many thousands of successful tanning salons operating worldwide.

Today, indoor tanning is as much a part of the typical active lifestyle as drive-thru restaurants, renting movies and Internet access.

Yet the solid growth, prosperity and popularity of indoor tanning continue to confound the so-called experts of the business world.

You simply need to view the industry objectively to discover the true dynamics that are the actual driving forces behind this phenomenon.

When you consider basic human needs, wants and desires – then weigh the impact of positive outside influences – it is quite obvious why the business has such a bright future.



Sun Forces... The following are some of the many contributing factors that, though they are beyond our control, may influence a person's decision to consider tanning indoors:

1. Unpredictable Weather, Bad Weather
2. Traffic Jams, Lengthy Commutes
3. Hectic Pace of Life
4. Social Responsibilities
5. Crowded Beaches
6. Polluted Beaches
7. Expensive, Far-off Resort

The following are a few of the many factors that the tanning salon controls. These will have a direct influence on a person's decision to tan indoors:

1. Clean environment
2. Private
3. Comfortable
4. Convenient
5. Economic
6. Fast
7. Friendly
8. Social

The following are some of the more outward reasons why people choose to tan:

1. Having a tan can build confidence.
2. Having a tan makes a person feel more attractive.
3. Having a tan allows a person to stand out in a crowd.
4. Having a tan allows people to blend in at a tropical resort.
5. A tan is cosmetic camouflage that may actually cloak imperfections.
6. Having a tan makes people appear leaner and more athletic.

Every day millions of consumers are bombarded by hundreds of Sun & Fun filled messages and images. Each year more and more people experience indoor tanning. Is there a connection?

Read on...

Demand Curves Television screens and magazine pages are filled with a multitude of advertisements that suggest that losing weight, getting in shape, etc., are essential in our quest for happiness. However, whether it's a new diet or exercise system, the ads and commercials do not mention the hours of hard work and the many days of sacrifice required to see noticeable results.

Indeed, some of these products may actually work. However, to quickly dramatize the advertised results, the ads almost always contain attention-grabbing "before & after" photos of satisfied customers.

What is dramatically obvious about almost every ad is this: In all the "before" photos the people are pale and pasty and in every "after" photo the people are tan and robust. Coincidence? Hardly.

It is no secret that having a tan makes people appear leaner and their bodies more contoured. Body builders have long relied on dark skin to enhance their physiques and draw attention to their muscles and curves. In addition, many women have dressed in black or dark clothing to look thinner.

The reason behind this? Dark skin, just like dark clothing, absorbs light. This creates an illusion to the human eye that the subject being viewed is leaner or more tightly packaged than they actually are. Whiter skin and light clothes reflect light and make the subject appear larger.

Seeing is Believing While having a tan may simply make a person "look" thinner, the illusion might actually be having a very positive effect on people in another way. Recent studies have shown that people who diet or exercise are more inclined to stay with their program if they do it in conjunction with indoor tanning.

The indoor tanning sessions allow the person to see a noticeable change in their appearance quickly and thus encourage them to stay with the diet and exercise program.

The Ad-Man Cometh In addition to the hundreds of advertisements for weight loss and fitness products that use tan-skinned people to sell their wares, thousands of other companies rely on the positive image of the sun to help market their goods and services.

Whether it's a commercial for a new convertible or a romantic cruise, you will always see striking images of beautiful people having fun-in-the-sun.

Indirectly, these commercials are also advertisements for indoor tanning.

Thousands of other products from patio furniture to swimming pools and golf clubs to active wear, all rely on the sun and images of the sun to increase sales.

This monumental, nonstop advertising blitz has had a tremendous impact on the Sun Business and it continues to fuel demand for tanning and all tanning related products. Best of all – it's FREE!

Together with the ongoing advertising and marketing campaigns conducted by the more than 25,000 commercial tanning locations operating in North America, consumer awareness of indoor tanning is growing stronger and more powerful every day.

Your Place in the Sun... As you plan the opening of your new salon or the expansion of an existing operation, please remember that Sun Ergoline is the most experienced and respected company in the industry. Together with Ergoline in Germany we maintain a track record of more than 30 years success – and a solid reputation for standing behind every unit we build. Sun Ergoline offers the industry's most extensive customer support program. It is designed to educate you on the Sun Business and provide every opportunity for success.

Welcome to Sun Ergoline

THE COMPANY THAT WROTE THE BOOK ON THE BUSINESS OF INDOOR TANNING!

AS SEEN IN SUN GALLERY

Robert Bales
Salon Owner



Tropical Sun Tanning Salon San Pedro, California

In 1992, Robert Bales began his adventure in tanning with a partnership in a small salon. As his knowledge of the industry grew, as well as his client base, so did the desire to provide more to his customers.

"I got excited about being able to give people something no one else on this side of the Peninsula could – a beautiful tan," owner Robert Bales explained. Through the years he developed his business and celebrated the Grand Opening of his third Tropical Sun Tanning location in September 2002.

Built on the premise that a tanning salon should offer not only top-of-the-line equipment, but also an aesthetically pleasing atmosphere, his newest salon design encompasses everything he believes tanning customers deserve in a tanning experience.

From the custom cabinetry as you walk in the front door to the hand painted mural of Catalina as you walk out the back, every last detail was thought of to take the people away from the bustle of everyday life and make them feel like they have just entered a luxury spa. The trickle of water from the rock sculpture on the front lobby wall, DMX satellite music

in each room and the exotic fish in the custom salt-water tank in the hall add to the relaxing ambience.

But let's not forget that without the top-of-the-line Ergoline equipment, this pretty picture would not be complete. Featured in the front of the salon is the Avantgarde 600. The room is specially designed to showcase this fabulous tanning bed to passers-by. A steel roll-up door is in place so customers are ensured of complete privacy when tanning in the Avantgarde. Also featured are the Classic 650, Performance 240, the Competition 232 and a stand-up to get those "hard-to-tan" places. In all, Tropical Sun offers nine tanning beds and many levels of tanning to take the fair-skinned first-timer to the deepest, darkest tan or anywhere in-between.

Tropical Sun offers a complete package offering all major lines of lotions and the best customer service ever experienced. The staff is knowledgeable about the different product lines and are SmartTan Certified.

Robert believes in giving back to the community that supports him. Tropical Sun makes donations to schools and other organizations as part of his community involvement.

SELECTING

The Right Location

There are many factors to be considered when selecting the perfect location for your business. Some are obvious while others require a thorough, first-hand knowledge of the Sun Business. Sun Ergoline will help you to cut through the maze of site selection by providing a detailed checklist of the points to be considered well in advance of signing a lease or purchasing a building.

Size Matters: How Much Space You Will Need

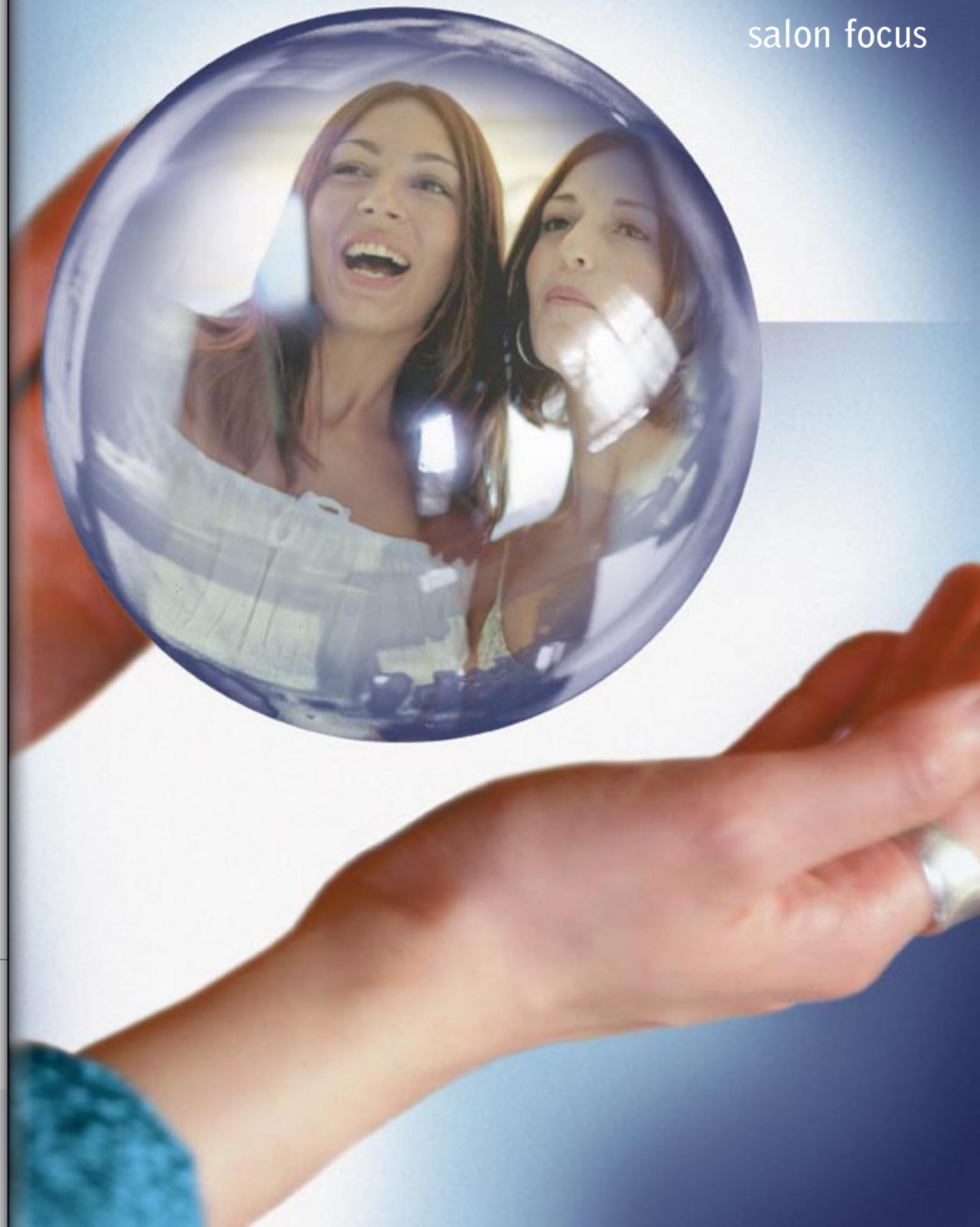
One of the first points to consider when opening a new location is the size of the business in usable square feet. For each tanning system you plan to feature you should allow 125 to 150 square feet of space.

While the tanning systems themselves will not actually use this much space, you must allocate additional common area space for lobby, hallways, bathrooms, vanity area, retail area, etc.

For example, if your plan is to open a ten (10) unit salon, you should look for a retail space that is between 1,250 and 1,500 square feet. This is a very good 'rule of thumb' and will help make your search more efficient.

The technical chart on page 16 helps you to define the ideal room size for each Sun Ergoline tanning bed as well as the electrical requirements.

THE NUMBER OF TANNING SYSTEMS YOU WILL NEED is often dependent upon a detailed Break-Even Analysis of your potential location and a Demographic Profile of your target market. Sun Ergoline offers these services free of charge. See the workbook section of Sun Business Magazine for details or call 1-800-643-0086.



14 Knowing this information ahead of time will help you eliminate locations that are impractical and allow you to focus on choice properties immediately.

SELECTING The Right Location

Space Invaders: Location Specific Advice

Usable Space Columns and load-bearing walls that cannot be moved may present problems with the layout or design of your salon. Make sure that the site you choose will fit your plans – or be prepared to adapt your plans to the space available.

Existing Rooms You may find a location that already has offices or work rooms that were constructed by a previous tenant. While these rooms may be large enough to accommodate the equipment, you must still consider room ventilation and cooling. Remember, do not attempt to operate a tanning system in a closed room. Open ceilings, etc., work best. Consult your Sun Ergoline representative for additional information.

Power On: Electrical Requirements

Once you have determined that the size and basic layout of the location will fit your needs, the next step is to find out exactly how much electrical power is available.

Typical retail storefronts usually offer 100 amps of electrical service or less. This is not enough power for most commercial locations. Knowing in advance the amp draw and the wiring requirements of each tanning system you plan to feature will help you significantly in the location selection process.

For example, the Ergoline 450 requires one (1), 40-amp breaker per unit when operating on 3-phase electric. The Sundash Competition Series 32 lamp tanning systems require

When you have found a location that is the proper size, you must then physically examine the location to rule out potential problems or limitations.

Floor Covering Next, check the flooring for signs of wear, warping or dampness. It is also important to note that some state or local agencies may require a specific type of floor covering for the common areas and tanning rooms. Verify this before making any flooring or floor covering decisions.

When making decisions regarding flooring you will want to consider the heavy amount of traffic that will parade through your business. Successful tanning salons will generate thousands of tanning sessions every month. Therefore, you will want something that is attractive yet durable and easy to clean and maintain.

Plumbing Make certain that the location offers adequate plumbing

to accommodate your needs and design requirements for bathrooms, washrooms and laundry rooms. Most larger salons operate more efficiently with a washer & dryer on the premises. You should also check with local building inspectors if you have any questions regarding local codes for handicap access to bathrooms, etc.

General Lighting Look up, look down and look all around. Your salon will need sufficient lighting for common areas such as the lobby, hallways, etc., as well as the tanning rooms. Lighting is a key element of design and, when done properly, can add significantly to the ambiance of your salon.



a 30-amp breaker per unit and operates on single-phase electric.

Use the technical chart on page 16 to estimate your requirements.

A typical 10-unit salon may require 400 amps of electrical service or more, depending upon product mix, general lighting, air conditioning, etc. The use of larger tanning equipment will require additional power. You should also check

the location for extra outlets for general lighting needs, computers, etc.

Always consult with your authorized Sun Ergoline representative to determine the exact power and wiring requirements needed for the equipment you intend to feature. This one, critical step will save you a tremendous amount of time and money.

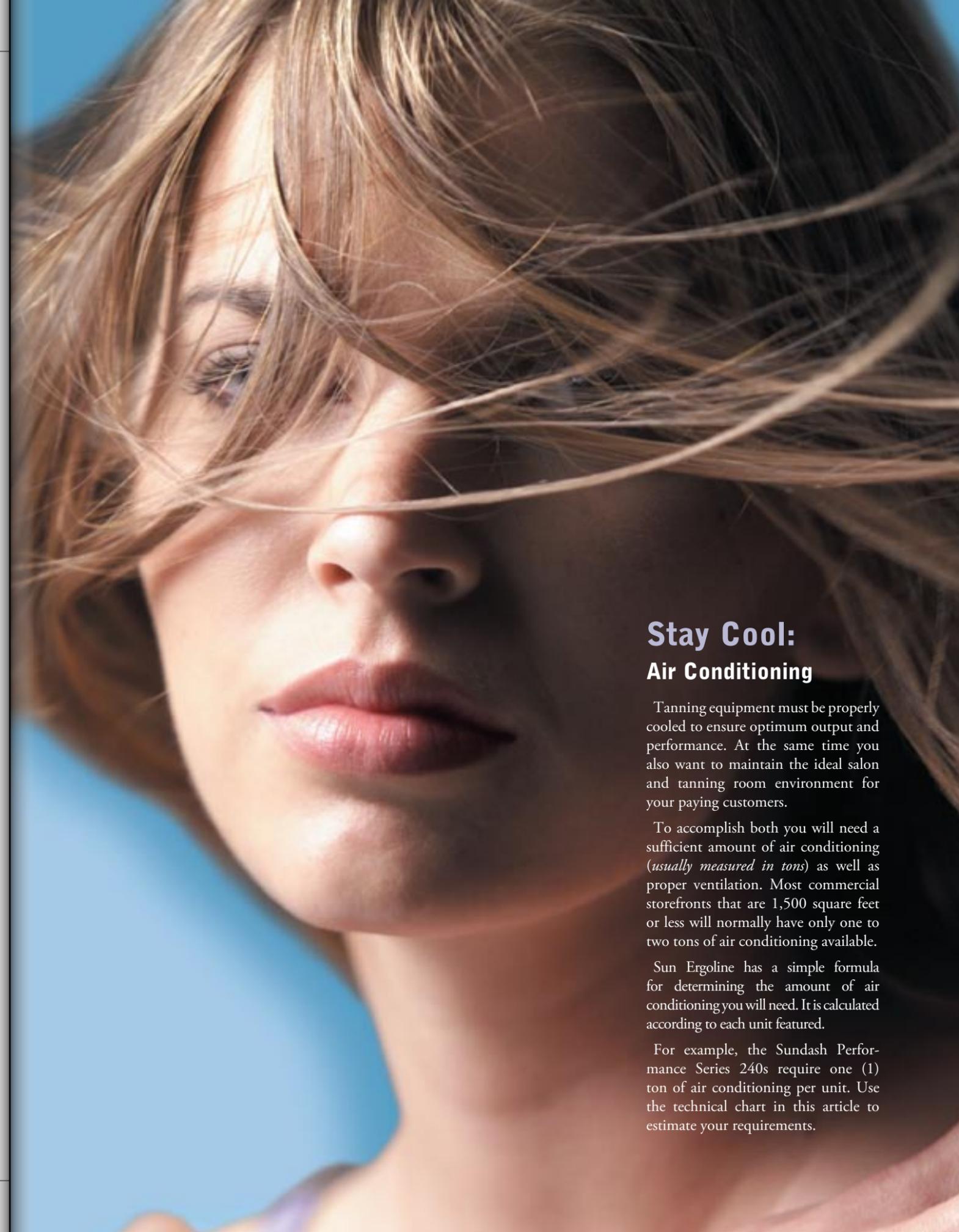
Stay Cool: Air Conditioning

Tanning equipment must be properly cooled to ensure optimum output and performance. At the same time you also want to maintain the ideal salon and tanning room environment for your paying customers.

To accomplish both you will need a sufficient amount of air conditioning (*usually measured in tons*) as well as proper ventilation. Most commercial storefronts that are 1,500 square feet or less will normally have only one to two tons of air conditioning available.

Sun Ergoline has a simple formula for determining the amount of air conditioning you will need. It is calculated according to each unit featured.

For example, the Sundash Performance Series 240s require one (1) ton of air conditioning per unit. Use the technical chart in this article to estimate your requirements.



Street Wise: Traffic Flow

Which way the traffic flows will directly affect your business potential. One-way streets, service roads, overpasses, etc., are all designed to direct traffic through your community. Ideally, your location should be easily accessible from all directions.

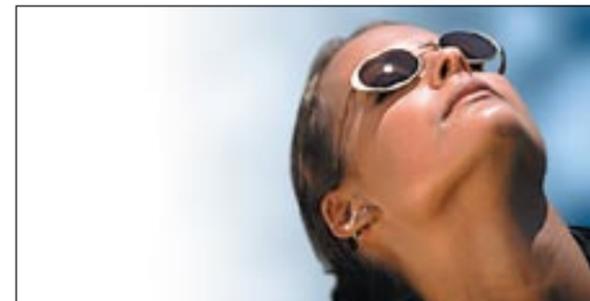
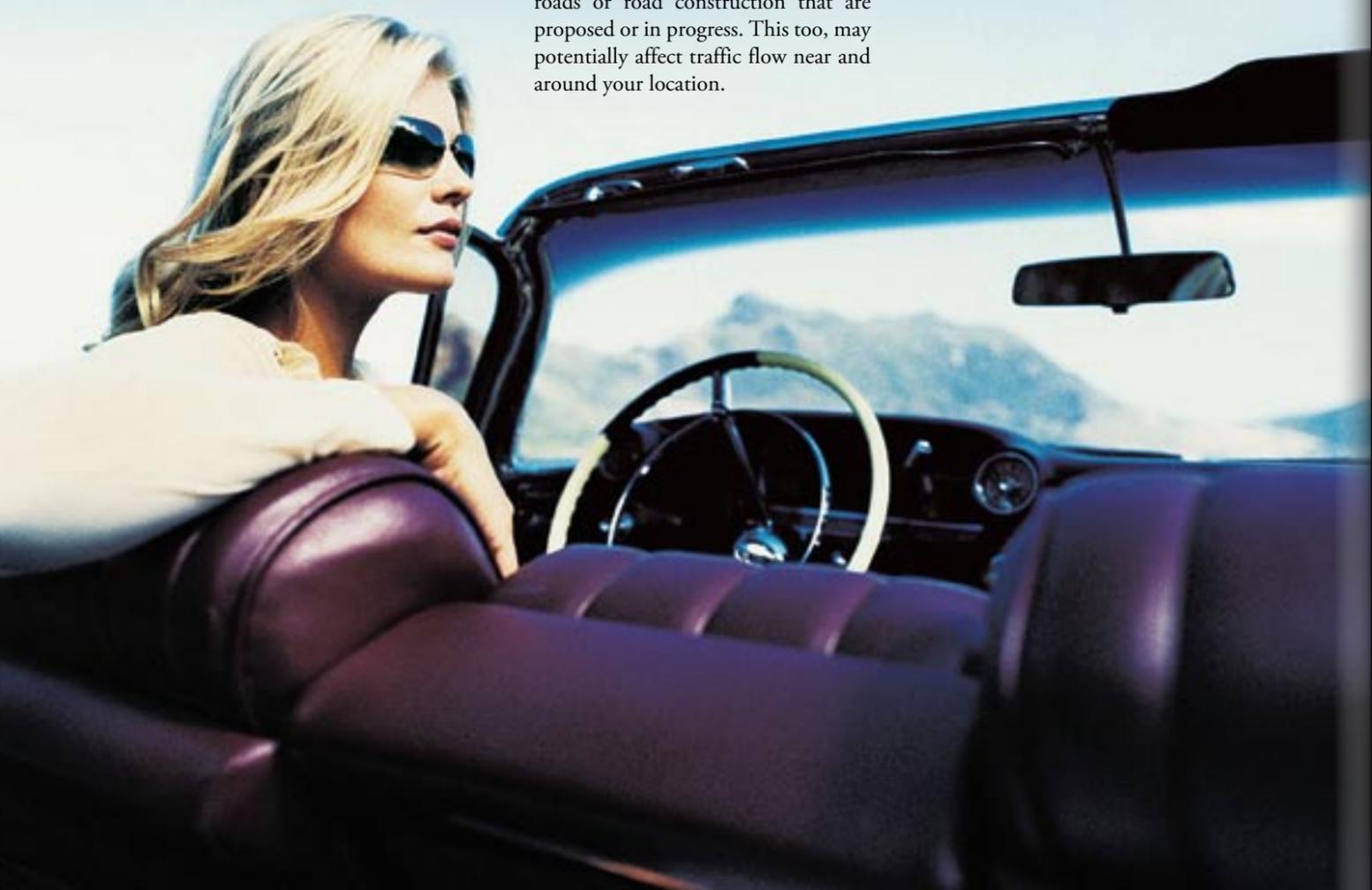
Spend a few minutes at various times of the day and watch the traffic flow near and around your location. Ask yourself the following questions:

1. Is it easy to get in and out of my location?
2. Is my location visible from the street or road?
3. Where are people heading when they pass my store: To work or school? Home from work or school? To a major attraction such as a mall, sports facility, etc.?
4. What are the busiest traffic hours?
5. Where would signs or billboards work best to advertise my location?

It's also a good idea to study any new roads or road construction that are proposed or in progress. This too, may potentially affect traffic flow near and around your location.

The Front Row: Customer Parking

Parking availability is often overlooked when choosing a location. A well-run 10-unit salon may see more than 200 customers in a single day. And unfortunately they don't file in two-by-two, in twenty-minute intervals. Check with the landlord for the number of parking spaces you will be allowed. If this is limited, you may have to look off-site or negotiate an arrangement with the other businesses near you. When estimating parking requirements you should also note that many salons are at their busiest during the late afternoon and early evening hours. Surrounding businesses may have a different traffic pattern which may help alleviate the situation.



SELECTING The Right Location

People Watching: Demographic Profiling

The majority of customers who tan indoors are Caucasian females between the ages of 16 and 59. This group often accounts for 70% of the typical salon database.

Conducting a demographic profile of your target market will help you to determine the number of potential customers from each age category that live within a specific radius of your location. (see the workbook section for more information on Demographics).

Knowing and understanding the demographic profile of your market will also help in developing your business plan and working model. It will also provide direction for answering many questions including those to the right.

Your Sun Ergoline representative can assist you with your search and provide guidance for evaluating the actual demographic profile. Call 1-800-643-0086 for more information.

Follow the Leader A fast, easy and proven method for evaluating the demographics of a targeted area is to look for high-profile or well-recognized businesses that appeal to similar clientele. Most large companies and retail chains spend hundreds of thousands of dollars on demographic research and customer profiling before they select a site. You can use their knowledge and expertise to your advantage.

Physically walk or drive through the different areas of your target market and take notes on the different types of retail and service-related businesses. Consider the products they offer and the type of customers they attract. If they fit the profile of the typical salon database, you may be on the right track to finding your location.

ANCHOR TENANTS Often the key to site selection when considering a strip mall location is the 'anchor tenant.' Usually this is a large grocery or drug store that is part of a national chain. Anchor tenants can often dictate the success of a given retail area. They provide the main 'destination' for the majority

1. How many potential customers live within the target market?
2. Which sex and age groups comprise the majority?
3. Which advertising methods would be most effective to reach them?
4. What type of salon décor, theme and layout would appeal to them?
5. What type of lotions, skin care and accessory items would appeal to them?
6. What type of music should be offered in the lobby and/or tanning rooms?

of customers and allow the other tenants to feed off their draw. At the same time, the loss of an anchor tenant or a poor quality anchor tenant should send warning signals regarding the potential success of the surrounding retail area.

In Good Company: Surrounding Businesses

One of the best methods for evaluating a potential location is to analyze the different types of businesses that are either located in the same retail center or in the immediate vicinity.

Tanning salons do best when they are located near other businesses that are considered daily or weekly 'destinations' such as dry cleaners, restaurants, video stores, beauty salons, grocery stores, etc.

You should thoroughly analyze the other businesses in the area. You'll want to know the type of people who patronize these businesses and whether or not they fit the profile of the typical tanning salon customer.

The landlord, property management company or the actual tenant should be able to provide you with answers to the following:

1. How many years have the other businesses been at their locations?
2. What type of clientele do they attract?
3. What are their hours of operation?
4. During which hours are they busiest?
5. How long is their lease?
6. Have they ever expanded or reduced the size of their business?

Other questions will arise and your Sun Ergoline representative is ready to help!

Money Talks:

Break-Even & Return-On-Investment Analysis

You have found a great location. The electrical, air conditioning, plumbing, space requirements, etc., all fit your needs. The location is surrounded by an excellent mix of high-profile businesses that attract similar 'tanning salon caliber' customers – and to put icing on the cake, a brand new 1,000-unit luxury apartment complex is opening across the street.

Now all you have to do is determine if the business can support itself and turn a profit.

Sun Ergoline developed the tanning industry's most effective Break-Even & Return-On-Investment Analysis way back in 1985. This free study has literally helped thousands of people evaluate the potential of a new or existing location – before signing a lease (see the workbook section in the back of this magazine for more information).

Our analysis will help you to determine:

1. The number of tanning systems and the most effective equipment mix.
2. The operating cost of each tanning system regarding lamp usage and electrical consumption on a session-by-session basis.
3. The gross and net profit on each tanning session or package.
4. Fixed and fluctuating expenses.
5. The salon's maximum operating capacity.
6. The percentage of capacity required to break even.
7. The estimated operating capacity utilized.
8. Cash flow and revenue projections on a month-by-month and annual basis.
9. Estimated traffic flow on a month-by-month and annual basis.
10. Estimated salon database and dollars-per-customer-per-year analysis.

Sun Ergoline offers a free Break-Even & Return-On-Investment Analysis to all qualified and potential customers. Simply fill in the form in the workbook section in the back of this magazine and fax it to Sun Ergoline at 870-935-3618 or call 1-800-643-0086 for more information.

OPENING A NEW SALON? EXPANDING AN EXISTING LOCATION? THINKING ABOUT PURCHASING AN EXISTING SALON?

Sun Ergoline's Free Break-Even & Return-On-Investment Analysis can help answer many of your most important questions. Call today – it's FREE from Sun Ergoline 1-800-643-0086.

IMPORTANT NOTE: When negotiating a lease, landlords will often provide an allowance for improvements such as upgrades to air conditioning, etc.



All The Right Moves:

Additional Points Of Consideration

There are other factors to consider when selecting a location that may go unnoticed or may not be discussed. Please review the following. You will be glad you did!

Exclusivity Another point of concern when selecting a strip center-type location is 'exclusivity.' That is, will you be the only tanning salon or commercial tanning location permitted to operate in the center? You wouldn't want to sign a lease only to discover that another salon could possibly open at the other end of the mall.

Signage Some retail locations place restrictions on the type of signage you may use to advertise your business. There may be limitations on lighting, color, size, shape, wording, etc. Before you spend money on any type of signage, verify that it complies with the regulations of the retail area.

Hours of Operation Some business locations may have limited hours of operation. This may simply be a mall policy or due to a local or town ordinance. Regardless, you need to know if there are any restrictions concerning your hours of operation. During the peak season, tanning salons stay busy 12-18 hours a day.

CALL TOLL-FREE: 877.SUN.LAMP (877.786.5267)

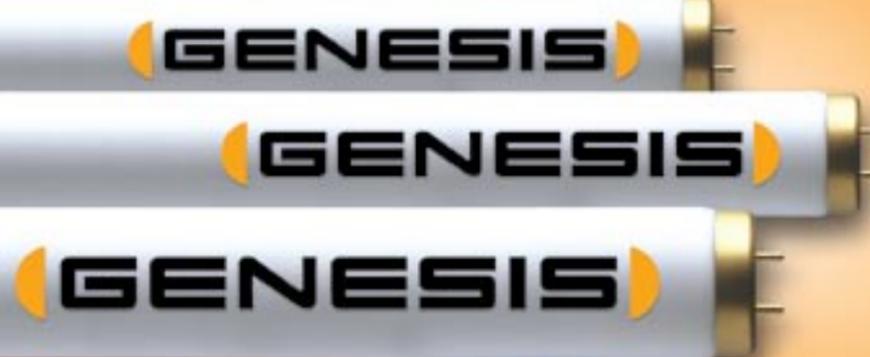
GENESIS

THE WORLD'S MOST ADVANCED LAMP TECHNOLOGY



The Genesis™ name is one of the most respected names in the tanning industry. We promised a lamp without equal for high performance, long life and top value, and year after year we have delivered on that promise.

Genesis™ – the right lamp choice for your salon.



THE GREAT EQUALIZERS

FINANCING & LEASING



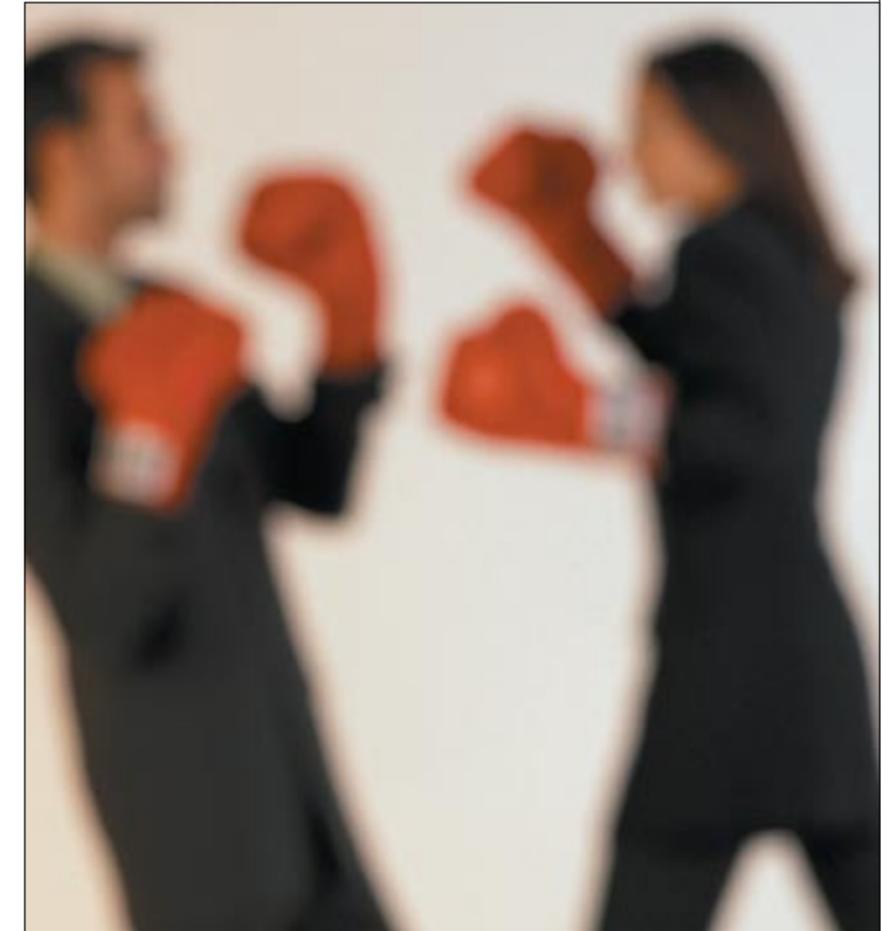
Did you know that the difference in the actual investment between a \$10,995.00 Sun Ergoline tanning system, generously equipped with the latest technology and user-friendly features, and a lower quality system priced at \$7,995.00 (with similar lamp count) is actually less than 25 cents per tanning session?

In fact, the lower priced unit may actually cost you more in the long run.

Financing and leasing are the great equalizers in the battle for business. However, to unlock their true potential you must first understand some basic principles of the Sun Business.

Salon owners will typically use a tanning system for three to five years before upgrading to a newer model. During this time, that single piece of tanning equipment will produce some amazing numbers. When analyzed properly these figures tell an interesting story about the true relationship between the equipment featured and cash flow, operating cost and return on investment.

Better equipment, higher profits and more repeat customers for just 22 cents per session.



Head-to-Head Comparison For purposes of comparison, let's state that Salon "A" purchases a Sundash Performance Series 240G, 40-lamp tanning system for \$10,995.00. Salon A finances the purchase with a bank loan at the rate of 10% for 36 months.

Salon "B" purchases a lower quality 40-lamp unit for \$7,995.00. Salon B also finances the purchase with a bank loan at 10% for 36 months.

Salon A's monthly payment is \$354.78 while Salon B's monthly payment is \$257.98 – for a difference of \$96.80 per month.

Both salons are open 30 days per month. Accordingly, Salon A's daily payment is \$11.83 and Salon B's is \$8.60 – for a difference of \$3.23 per day.

We estimate that both salons generate 15 sessions per day. Accordingly, Salon A's cost is 79 cents per session and Salon B's cost is 57 cents per session – for a difference of 22 cents per session.

As you can easily see, the investment difference between the Sun Ergoline Performance Series 240 and the other brand is just 22 cents per session.

Salon A's decision to invest an additional 22 cents per session will also have a positive impact on the customer's perceived value of the entire tanning experience.

Most experienced business people realize that you must look at the big picture – not just the short term. You should always be willing to invest a few cents more to provide your customers with the best.

FINANCING & LEASING



Sun Ergoline invites you to use our knowledge and experience to make the right purchasing decision – the first time and every time. Sun Ergoline: We Wrote the Book on the Business of Indoor Tanning.

PAYMENT COMPARISON CHART

Amount Financed	Monthly	Per Day Revenue	Per Session
Revenue Payment	Payment	To Make Payment	To Make
\$ 3,000	\$ 96.80	\$ 3.23	22¢
\$ 4,000	\$129.07	\$ 4.30	29¢
\$ 5,000	\$161.34	\$ 5.38	36¢
\$ 6,000	\$193.60	\$ 6.45	43¢
\$ 7,000	\$225.87	\$ 7.53	50¢
\$ 8,000	\$258.14	\$ 8.60	57¢
\$ 9,000	\$290.40	\$ 9.68	65¢
\$10,000	\$322.67	\$10.76	72¢
\$15,000	\$484.01	\$16.13	\$1.08
\$20,000	\$645.34	\$21.51	\$1.43
\$25,000	\$806.68	\$26.89	\$1.79
\$30,000	\$968.02	\$32.27	\$2.15

* Calculations based on a 3 year, 36 month loan, with an interest rate of 10%. Assuming the business is open 30 days per month and generating 15 sessions per day. This does not represent an offer to extend credit or a guarantee of income, return on investment or market performance. This model is for comparison purposes only.

Consider the following: If the Sun Ergoline tanning system and the other brand were the exact same price, which one would you choose?

As you can see from the realistic business model provided, the investment in the superior Sun Ergoline tanning system is virtually the same. Most salon owners will agree that they could easily charge an additional 22 cents (and actually a lot more) per session to make up the entire difference.

Furthermore, when it's trade-in time three years from now, which unit do you think will command the higher trade-in or resale value? Studies show that Sun Ergoline tanning equipment holds its value better than inferior brands – thus further emphasizing its potential return on investment.

Competitive Advantages When purchasing equipment for your salon, one must also consider the competition. Opening a business with low-end equipment is simply inviting competition.

Using premium quality Sun Ergoline equipment sends a signal to the marketplace that you have invested in the best and are prepared for any challenge. As the example shows, investing in quality always pays off in the long run.

Other People's Money Financing tanning equipment, whether via a bank loan or commercial lease may allow you to achieve your goals faster while still preserving your cash reserves.

Few people have the luxury of paying cash for everything. And even those who do often choose to finance major purchases rather than tap their own cash reserves.

Today's attractive interest rates make financing equipment a very smart business decision. It also allows salon owners to afford more of the equipment they truly want and need to maximize the profit potential of their business.

Some people claim that they pay cash for everything and don't believe in financing. The reality is however, that even if you pay cash for something, you still must pay yourself back. Consequently, you are just financing yourself. Few people would pay their employees a full month wages or pay a full year of rent in advance – we believe you get the idea.

OPEN SUN
1050

ULTRA POWER



ULTIMATE FACE OF UV POWER

- 30 HIGH-PRESSURE UNITS PERFECTLY ALIGNED ALONG THE CANOPY AND BASE
- SUPERIOR ULTRA PERFORMANCE REFLECTOR TECHNOLOGY AND FILTER GLASS EXPERTISE
- COMPUTER-MODELED POSITIONING OF THE UV COMPONENTS
- PURE OPEN AIR TANNING COMFORT WITH FAN COOLING PLUS AND LUXURIOUS FEATURES
- EXTRA-WIDE MULTI RELAX ACRYLIC WITH HEADREST, ARMRESTS AND VARIABLE FOOTRESTS
- BOLD DESIGN WITH MODERN SHAPES, STRONG LINES AND GORGEOUS AMBIENT LIGHTING
- AVAILABLE STEREO SOUND SYSTEM

Completely surrounding the client with high-pressure UV units, the Ergoline Open Sun 1050 is a powerhouse when it comes to open design tanning. With its massive high-pressure performance, impressive comfort and dominant looks, the Open Sun 1050 has everything to make it the masterpiece of any salon.

CALL TOLL-FREE 1.888.771.0996

ERGO LINE, A Division of JK Products & Services, Inc.
www.sunergoline.com • ergoline@sunergoline.com

Ergoline

competitive edge



Competition is bad tasting medicine that is actually good for an industry.

COMPETITION

The Good, the Bad — and the Useful

Competition can be motivating or paralyzing. For some, the thought of increased “competition” creates immediate fear and anxiety. Others remain confident yet cautious. And a few are quick to offer a shallow display of bravado.

In the world of free enterprise, competition is the great purifier. It will limit or even destroy the weak, the lazy and the corruptible. However, it rewards the resourceful, the diligent and those who are strong of character.

Competition is inevitable. Accordingly, it cannot and should not be ignored. It forces self examination and challenges us to look inward. It will reveal both our strengths and weaknesses without prejudice towards either. Competition is bad tasting medicine that is actually good for an industry.

That being said, competition presents tremendous opportunities

for those who understand its true nature. On the flip side, it is the lack of competition that is truly destructive. A monopoly on a product or service limits creativity and provides no incentive to reach beyond the norm or the standard.

Up until the 1970s, AT&T had a monopoly on the telephone service of the entire United States. If you wanted a telephone, you had to go with AT&T. While the service was fair, the product itself was boring and features were extremely limited.

When the U.S. government ruled that AT&T had to be broken up and could no longer monopolize the telephone business, it spawned the almost immediate creation of hundreds of different companies in the field. Furthermore, out of the creative minds of the people in those companies came rapid advancement in technology and service.

Few words stir more emotions in the hearts and minds of business people than “competition.” How you react when personally faced with a competitive situation may say a great deal about you as a person. It may also predict your potential for success in any given environment.

COMPETITION The Good, the Bad—and the Useful

Imagine where the Indoor Tanning Industry would be without competition.

It was “competition” on the equipment level that motivated (or actually forced) manufacturers to develop tanning systems that performed better and offered more features and benefits than the boxy 24-lamp units of the 1980s.

On the retail level it was competition that motivated tanning salon owners to create locations that are the eye-catching, high traffic show pieces of today’s retail business community.

Consider the following. In the early 1980s it was estimated that less than 3,000,000 people tanned indoors in fewer than 5,000 locations in the United States and Canada. Today, studies show that up to 30,000,000 people may be tanning indoors in North America.

What caused this tremendous growth and success? Obviously it wasn’t the same 5,000 salons simply increasing their customer databases.

More locations for indoor tanning translated into more demand for indoor tanning. As more commercial

indoor tanning locations opened, the level of awareness rose—and so did the utilization of the service.

However, as you explore the actual competitive environment of the indoor tanning industry, you are able to discover the true reasons why so many people—from so many different backgrounds—have been attracted to this thriving business opportunity.



A Breeding Ground for New Salon Owners While speaking recently at one of the industry’s major trade shows, the following questions were posed to an audience of more than 500 people:

How many people are here at this seminar because you want information on opening your first tanning salon? Approximately 40% of the people in the room raised their hands.

Those 40% were asked to keep their hands raised and were then asked the following question: How many have been motivated to open a salon because

of the conditions—either good or bad—that exist at the tanning salon where you currently tan? Approximately 25% of the people kept their hands raised.

While this study was not rigidly scientific, it does reflect a growing trend that has been well documented by equipment companies for many years.

The current business environments in existing tanning salons throughout the U.S. and Canada—whether good or bad—are breeding grounds for the creation of new salon owners and thus new competitors.

You are able to discover the true reasons why so many people—from so many different backgrounds—have been attracted to this thriving business opportunity.

All competition is useful.

However, its level of usefulness is often not immediately recognized or appreciated.

The Good Competitor Some salon owners have done almost everything right and yet they still attract competitors. They opened a beautiful location with the best equipment. The staff is well trained, the rooms are spacious and the salon is immaculate. Pricing is fair and during peak season the salon is packed. In fact, the lobby is often so crowded with attractive consumers waiting for their turn to tan that anyone driving by can clearly see the lucrative business the salon is doing.

They say nothing attracts a crowd—like a crowd. And nothing attracts a competitor like a crowded lobby and parking lot.

This scenario was played out almost as if scripted, in a mid-size town in the southern part of the U.S. The salon opened in the mid-1990s with 25 tanning units in a very well traveled part of town. The location was close to a college and major retailers. It had plenty of parking and street visibility.

When the salon opened, there were approximately 15 other commercial tanning locations in the area. They were all smaller but still very active. The immediate reaction of most of the existing salons was fear and panic.

Two small locations—that together featured a total of 15, low-end, older-model tanning systems—closed their doors within six months of the area’s first “mega-salon” opening. Others held their ground and reluctantly upgraded their equipment.

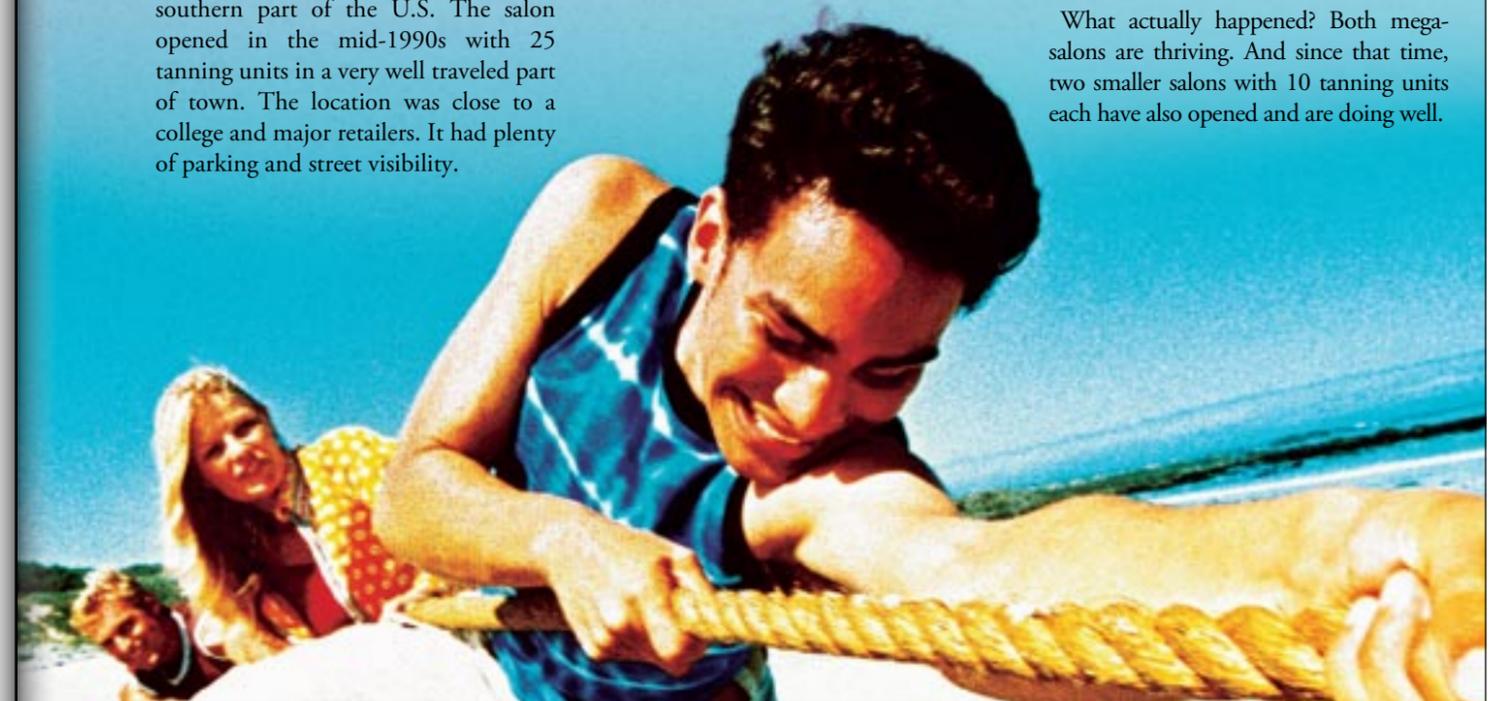
However, within one year of the mega-salon opening, business had actually increased for almost every salon in the area.

The massive advertising and marketing campaign initiated by the mega-salon contributed to the business of the smaller salons as well. The level of consumer awareness for indoor tanning as a product category was raised to an all-time high. Consequently, everyone benefited.

The real surprise for everyone came about two years later when another mega-salon, started by a new competitor, opened less than one mile from the first mega-salon.

Nobody knew exactly how this would impact the market. Some predicted that one of the mega-salons would not survive. Others thought the two mega-salons would dominate the marketplace leaving nothing for the smaller locations.

What actually happened? Both mega-salons are thriving. And since that time, two smaller salons with 10 tanning units each have also opened and are doing well.



The Moral of the Story:

A Rising Tide Raises All Boats In retrospect, the first mega-salon owner now realizes that he could have opened another mega-salon in town to handle his overflow crowd. And the owner of the other mega-salon has admitted that it was the success of the first mega-salon that motivated him to open.

The owners of the smaller salons collectively state that the level of competition forced them to upgrade their equipment and improve salon conditions. However, this has also allowed them to have their share of the growing market. Their salons are meeting their expectations and providing a comfortable living—and they are all better off than working for someone else.

Given the size of the town, demographics, industry history, etc., it would have been virtually impossible to predict that so many salons could do so well in what many would consider a limited market. What is now very clear is that it was the level of increased competition that drove the demand for the business—and created the additional selling opportunities for everyone.

The Bad Competitor While successful salons can provide a stimulus for competition, it is actually the poorly run and poorly equipped salons that truly attract new competitors. The cause may appear obvious; however, there are several industry-specific reasons why this situation occurs.

Some salon owners may open with the best of intentions yet the worst of equipment. They will spend hours finding a location, designing the interior, hiring and training a staff. Unfortunately, when it comes to choosing equipment, they go with the cheapest they can find.

For the first few months after the grand opening, all appears to be going well. Business is building steadily and the customers appear happy. Then a competitor, who has done their homework—sizing up the situation and identifying the other salon's weaknesses, opens nearby.

The competitor has also found a good location and hired a well-trained staff. However, when it came to selecting tanning equipment—which is the very foundation of the business—they invested with Sun Ergoline.

Now the weaker competitor can do nothing but watch in frustration as his once loyal customers leave for the salon featuring the Sun Ergoline tanning equipment.

Now the weaker competitor can do nothing but watch in frustration as his once loyal customers leave for the salon featuring the Sun Ergoline tanning equipment.

In today's highly competitive business environment, the battle for the business is best fought on the level of service provided by the salon. The salon cannot afford to handicap itself by choosing inferior, cheaper equipment.

With the many attractive financing programs currently available there is no excuse for not owning the best. In fact, given a 10% interest rate on a typical 60-month business loan, the difference between a low-end, lower quality 32-lamp tanning unit and a leading edge 32-lamp Sundash Competition Series Tanning System is about \$2.10 a day—or as low as 15 cents a session.



GO

PRO Performance Tanning Series Developed for People on the Move

Engineered for people on the go — the **Sundash** PRO Performance Tanning Series appeals to an active lifestyle tanner with a no-frills, no-nonsense attitude and a keen focus on quality.



SUN|DASH 332 PRO

- Rugged durability
- 32, 120-watt Genesis lamps
- 15 or 20 minute exposure schedule

SUN|DASH 332 PRO-1

- 32, 120-watt Genesis lamps
- 400-watt high-pressure facial tanner
- 15 or 20 minute exposure schedule

The Sundash PRO Performance Tanning Series is a perfectly orchestrated combination of brawn, beauty and brains. While their design is sleek and ultra contemporary, the **Sundash 332 PRO & 332 PRO-1** are powerful tanning units that are enduring and consistently dependable.

An able-bodied machine for an able-bodied generation.

SUN | DASH
PERFORMANCE | TANNING

Call toll-free **888.771.0996** or visit our user-friendly web site www.sunergoline.com.



COMPETITION The Good, the Bad—and the Useful

COMPETITION The Good, the Bad—and the Useful

USEFUL INFORMATION

Crowded Lobbies & Parking Lots

If it appears that business is so good the existing salon(s) can't handle the traffic, there is a good chance that someone new will be attracted to the market. By expanding your existing location you may discourage this. If space is a problem, perhaps faster tanning systems may provide relief.

You may also consider opening additional locations in your market. Many of today's most successful salon owners have two or three locations in the same target market. You may also consider using different levels of equipment in each store and perhaps a different décor to attract specific types of customers. One store may be designed to appeal to a younger audience while another may be more upscale.

Outdated and/or Inferior Tanning Equipment

You can't hope to run a successful limousine service today with a 1985 Caddy stretch—especially if a new company opens in your marketplace with brand new vehicles. The same holds true for the tanning business. Old, outdated equipment may run like a champ but it is a beacon for attracting competition.

Moreover, you certainly can't compete for the long haul if you use the cheapest equipment available. Remember that cheap equipment attracts cheap customers.

Call your Sun Ergoline representative at 1-800-643-0086 to discuss updating your salon with the latest technology and trading-in your older equipment. All brands will be considered.

Be pro-active. Don't wait for the competition to arrive and then be forced to react. Update your equipment regularly; especially when new technology or designs become available. By investing in the best equipment you will raise the bar and set the pace for the market. You will send a clear signal to any potential competitor that you are a formidable foe and if someone wants to compete, they will have to do it on your terms.

Keep it Clean You would never eat in a dirty restaurant twice. The same holds true for tanning salons. Examine your location from top to bottom daily. Consider hiring an independent company or person to provide an objective opinion about the conditions inside and around your salon.

Change Lamps Regularly and Always Use the Best

Actual lamp cost per session for a Sundash 32-Lamp Competition Series tanning system averages approximately 19 cents per session. That's it— just 19 cents! At the same time, lamp performance is critical to the output of the tanning unit and customer satisfaction. Given the low cost per session, why would anyone want to jeopardize the success of their business and their reputation by using lamps beyond their rated life?

You should never, under any circumstances, sacrifice quality for a cheaper lamp. The difference in cost between a high-quality Genesis lamp priced at \$13.95 and an off-brand lamp priced at \$9.95 is actually about six cents per session. Most smart business people would not risk customer satisfaction for six cents a session.

Honest, Self-Examination Review all aspects of your salon. Identify your strengths and weaknesses. Consider the key points that attract people to your business and keep them coming back. Then look for ways to improve operations.

Potential competitors often look for signs that may indicate a specific market is ripe for a new location. Examine your current situation and determine what you can do to be proactive. Remember, the business is yours to keep and not for someone else to take.

Key Points To Check:

- Equipment Mix, Age and Technology
- Interior Design, Cleanliness and Climate
- Outdoor Signage and Appearance
- Staff Training and Motivation
- Session & Package Pricing and Strategies
- Lotion and Accessory Lines Offered
- Cross Promotional Opportunities and Strategies
- Advertising & Marketing Programs
- Music & Sound System Offered
- Fixed Overhead and Operating Costs
- Location Demographics
- Parking and Street Visibility

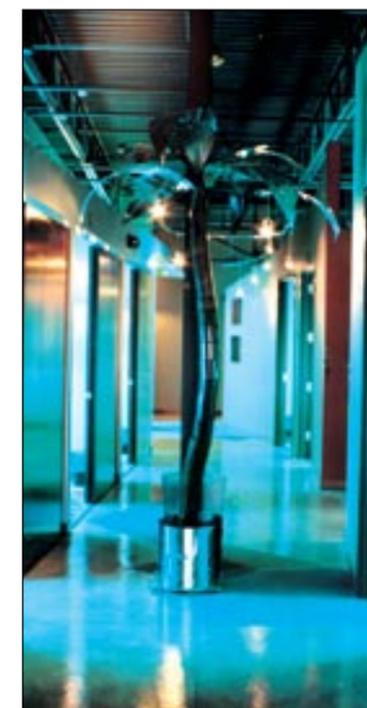
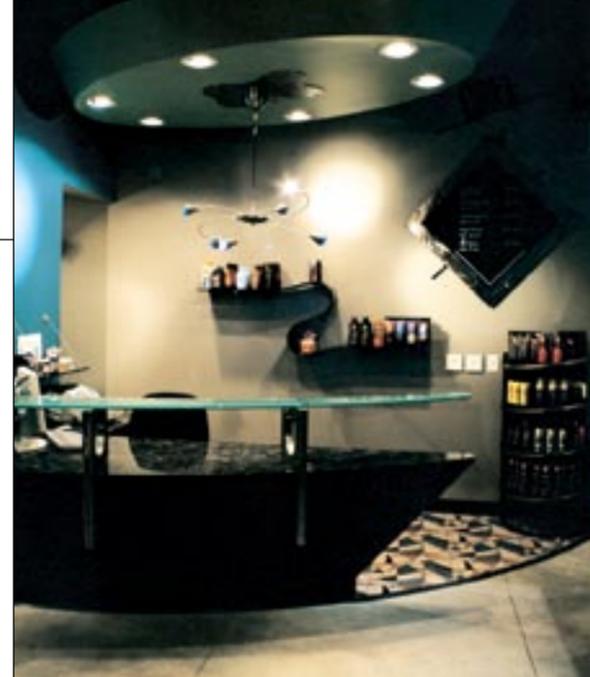
Always remember that your Sun Ergoline representative is ready to assist you with your salon evaluation. Call 1-800-643-0086 for more information.

* This is not to be considered a guarantee of income, return on investment, merchantability, market condition, etc. This is not an offer to extend credit or guarantee rates, etc. Examples are for comparison purposes only, subject to change and not necessarily indicative of future results. Actual performance will vary.

salon success

AS SEEN IN SUN GALLERY

James and Debbie Larsen
Salon Owner



L to R: Debbie and James Larsen, Salon Owners

Executive Tans Elite Highlands Ranch, Colorado

James Larsen has been in the tanning business for 13 years and has built three tanning salons from the ground up. Larsen has very high standards both in the appearance of his salons as well as in the service that he offers. Larsen says, "When I started putting this salon together, I knew that I wanted to make a statement — I wanted this one to be one of the best."

Executive Tans Elite offers several units from Sun Ergoline including the new Ergoline Avantgarde 600, two Ergoline Classic 600s, three Sundash Radius 252s and four Sundash Performance 240s.

The Larsens put a lot of time and effort into the design and creation of this magnificent upscale salon. They paid very close attention to all details and left nothing to chance. Each category of beds has its own style of lighting. The rooms are very spacious and uniquely decorated. They are completed with specially embroidered towels and protective eye wear. To accent the curved and angled walls, the Larsens used 14 different colors to enhance their salon.

James says, "We pride ourselves on customer service. We always give new customers a salon tour and we greet everyone with a smile."

DIVERSIFICATION:

market factors

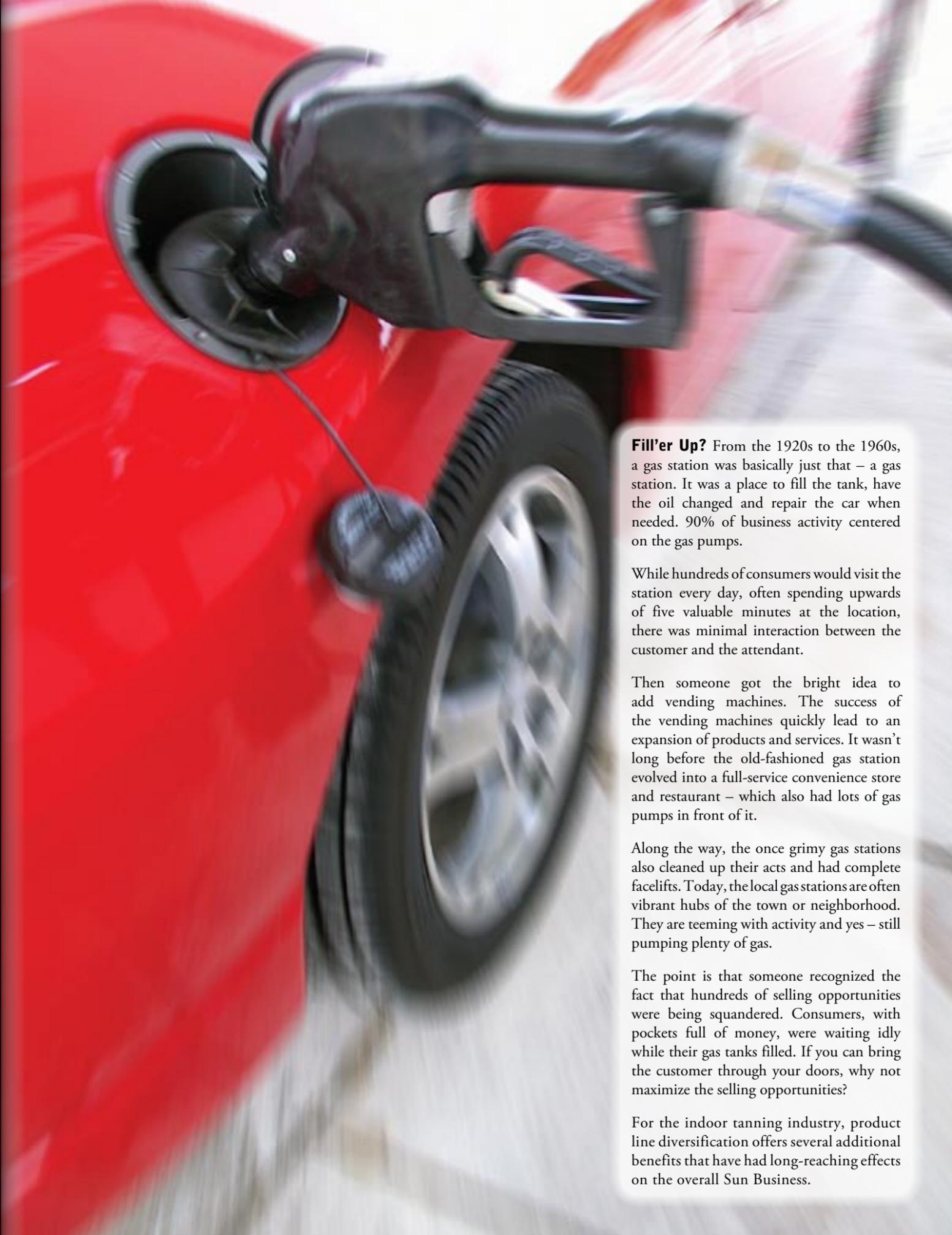
Diversification of products and services is a key element of success in all businesses. To be one-dimensional, that is, to offer only one type of service or product line, will limit your true potential and may ultimately lead to your extinction.

A KEY ELEMENT OF SUCCESS

The good news for the industry is that up to 30,000,000 people tanned indoors last year in the United States and Canada. The better news is that a vast, untapped market still exists for our products and services.

As we explore the marketing dynamics of the industry, searching to better understand factors that are the driving forces behind our industry, one must pay close attention to a key element of success that is often overlooked and highly underestimated – diversification.

Sometimes we may concentrate so much on the obvious situation at hand that we forget the basic rules of marketing that apply to all businesses.



Fill'er Up? From the 1920s to the 1960s, a gas station was basically just that – a gas station. It was a place to fill the tank, have the oil changed and repair the car when needed. 90% of business activity centered on the gas pumps.

While hundreds of consumers would visit the station every day, often spending upwards of five valuable minutes at the location, there was minimal interaction between the customer and the attendant.

Then someone got the bright idea to add vending machines. The success of the vending machines quickly led to an expansion of products and services. It wasn't long before the old-fashioned gas station evolved into a full-service convenience store and restaurant – which also had lots of gas pumps in front of it.

Along the way, the once grimy gas stations also cleaned up their acts and had complete facelifts. Today, the local gas stations are often vibrant hubs of the town or neighborhood. They are teeming with activity and yes – still pumping plenty of gas.

The point is that someone recognized the fact that hundreds of selling opportunities were being squandered. Consumers, with pockets full of money, were waiting idly while their gas tanks filled. If you can bring the customer through your doors, why not maximize the selling opportunities?

For the indoor tanning industry, product line diversification offers several additional benefits that have had long-reaching effects on the overall Sun Business.

Teach a Man to Fish... True growth for an industry does not come from poaching customers from the business down the street. While there will always be plenty of opportunities to capitalize on the weaknesses of short-sighted competitors, true growth is achieved through the creation of new customers. That is, attracting people who have never experienced indoor tanning.

However, to do so requires the use of new and different marketing techniques. Techniques that cannot be implemented given the standard product line and advertising theme.

For example, if you add the latest, most dramatically styled high performance tanning system to your salon (such as the Ergoline Avantgarde) it will provide your business with a new dimension of popularity and profit potential. Your existing customers will be thrilled and the salon owner down the street will be filled with envy.

However, the person who has never experienced indoor tanning, and has little concept of what actually goes on inside a tanning salon, may have a more reserved reaction.

You must first get these people through your doors. Once inside you will have the opportunity to introduce them to the best part of your business.

You will have the opportunity to treat them professionally and allow them to discover for themselves just how pleasurable the experience of indoor

tanning can be. Only then will they begin to truly understand the allure of indoor tanning.

By diversifying your product line and offering products outside the normal realm, you will provide another reason to visit your location – besides indoor tanning. These new customers may then in turn become customers for indoor tanning.

For example, many successful tanning salons also feature weight-loss, nutrition and diet-related products. By advertising your business to the general public as a source for these products, you may also attract people who have never set foot in a tanning salon.

Once inside – and after experiencing how friendly, clean and beautiful your location is – they will gain a new respect and appreciation for your business. They may also meet friends and neighbors who tan indoors and become more inclined to try indoor tanning.

As a further inducement to sell both the weight-loss product and create a new tanning customer, you can offer a free tanning session (a \$10.00 value for example) with the purchase of the product.

The foundation for success is already well-established. What needs to be considered are the products and strategies needed for attracting new customers –and then maximizing the sales potential on each and every one of them.

Indoor tanning salons attract some of the most appearance-conscious consumers in the world.

To the right are some of the most popular products that salons have used successfully to diversify and attract new customers.

While no one is suggesting that you turn your salon into a Wal-Mart, you should consider the potential of product line diversification for maximizing your sales potential on every existing customer – as well as attracting new customers.

Consider, for example that the profit from selling one bottle of soda will often cover the operating cost (lamp use and electricity) of an entire tanning session.

And to the purists of the industry – who believe that it is best to do one thing only and do it right – that is obviously your prerogative.

However, most successful salons will tan hundreds of customers every day and thousands each year. The ability to attract such a following clearly demonstrates an understanding of business fundamentals. We are simply suggesting that consideration be given to the true potential of diversification when properly applied to the Sun Business.

If you build it they will come... and if you diversify everyone will come!

- Tanning lotions obviously – however, don't forget the SPF's.
- Bottled water and soft drinks.
- Skin care products, bath & shower gels, etc.
- Weight-loss, diet & nutrition products.
- Gourmet coffee, Smoothies and Juice Bars
- Swimwear, active wear, sunglasses, etc.
- Jewelry and accessories
- Unique gifts and golf umbrellas
- Exercise and self-improvement videos & books
- Massage therapy

DIVERSIFICATION: A Key Element of Success

Increase sales... Save time and money... Remove limitations...



Make A Business Decision That's Good For Your Bottom Line

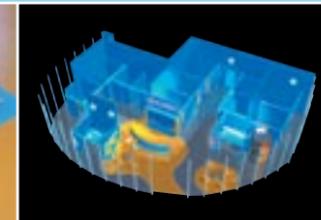
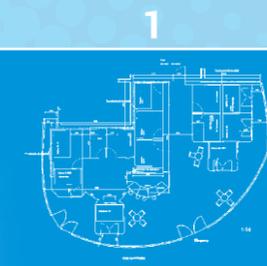
Salon software that really does save you time and money.

SunLync – your digital employee that works overtime and never takes a vacation – is an operations manager, security guard, administrative assistant and an equipment maintenance supervisor all in one.



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AND TURN YOUR
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1 SALON PLANNING

Together, we will discuss your market needs, your time line and budgets, and we'll review every detail of your salon's footprint in order to plan the most efficient Blue Box layout. During this process, we will look at everything needed to maximize the revenue potential for your new Blue Box salon, including determining the most optimum SOLTRON equipment mix for your salon's space.

2 DESIGN AND EQUIPMENT ESTIMATES

We will develop an itemized proposal of all the recommended design and equipment elements, such as tanning room walls, interior furnishings, signage, equipment, fittings and features, technical specifications and décor. Along with this itemization, you'll receive a detailed cost estimate for every proposed element in your Blue Box.

3 FINAL CONSTRUCTION DIAGRAM

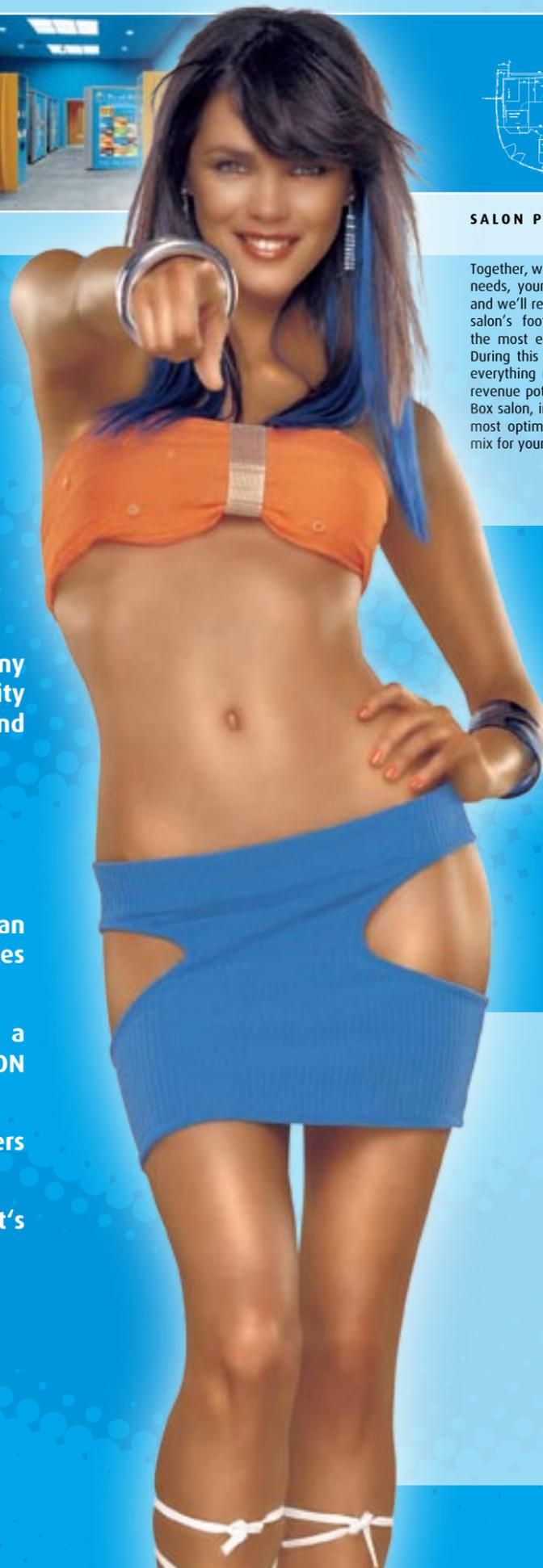
We can provide a computer diagram of your Blue Box space, which will show the placement of all the itemized elements and serve as a visual cross-check for your Blue Box salon's final layout, workflow and construction plan. Additionally, this rendering helps us produce build-out measurements, final technical specifications, and serves as an important guide for erecting tanning room walls and placing furnishings, fixtures and equipment.

4 MARKETING SUPPORT

While your Blue Box is being built, our marketing experts are already at work — developing a Grand Opening marketing plan and ongoing marketing programs to boost awareness and support sales for your Blue Box salon. And we'll remain dedicated to offering you ongoing merchandising, sales and marketing programs for your salon long after the Grand Opening. We're here to help you grow your Blue Box salon business!



BLUE BOX
TANNING SALON



The ultimate high-impact sales engine for your salon.

With over 20,000 tanning salons in the United States alone, it's no wonder many independent salon owners struggle to build a differentiating brand identity. An identity that clearly stands out from the competition and instantly creates excitement and loyalty while driving customers and sales into the salon.

Clever idea.

Welcome to Blue Box. Whether you're building a new salon or would like to renovate an existing salon you already have, Blue Box is an easy-to-implement, all-inclusive sales support program designed to help you grow your salon business.

Blue Box is not a franchise and no royalties or franchise fees apply. Rather, it is a dynamic and powerful brand concept designed to support your state-of-the-art SOLTRON equipment.

With Blue Box, you instantly turn heads while turning profits, and engage your customers in a total salon experience that's fiercely unique and memorable.

It's the most comprehensive added-value program in the tanning industry - and it's only from SOLTRON.

THINK BLUE. SEE GREEN.

Are you ready?

Build your own or turn your existing salon into Blue Box.

Either way, it's as easy as 1, 2, 3.

Contact your SOLTRON representative today to find out just how easy it is to own your own Blue Box tanning salon.

Call toll-free: 866.243.9861

E-mail: sales@soltron.us

website: www.soltron.us



REMODEL.

Want to pump new life and profits into your existing salon? Your SOLTRON representative can show you how to quickly and efficiently retro-fit your space to Blue Box.

With just a little layout planning, a little paint, and a lot of expertise, we can easily turn your existing salon space into a compelling, Blue Box profit-powerhouse - and usually in less time and with less investment than you might think.

Strategies for the Sun Business

Developing Marketing, Advertising, Sales and Pricing Programs

Whether you are opening a new salon or expanding an existing location, a frank examination of the many proven sales & marketing strategies that have been used by successful salons throughout North America always makes for interesting reading and thought provoking conversation.

Sun Ergoline has enjoyed close, working relationships for more than 20 years with thousands of salons worldwide. We have earned this trust and support as the direct result of providing solid guidance and clear direction in the development of successful sales and marketing strategies.

Please review the examples that follow in this report. Remember that the success of each strategy or program is dependent on its ability to work within the parameters of your specific situation and circumstances. Contact your Sun Ergoline representative today to assist with the development of your program!

While each salon must customize strategies to meet their unique needs and financial goals, the fundamentals of each program are often centered on a basic and proven methodology.

strategic positioning



Inside Moves:

Using Key Areas within Your Salon to Increase Sales

During the busiest months of the year, a typical 10-unit salon may handle more than 200 customers per day. When you consider the daunting but rewarding task of trying to accommodate each customer properly, you quickly realize that little time may be left for the effective selling of lotions, upgrades, etc. Therefore, it is important that you develop effective advertising materials to be used inside your salon.

The tanning room itself is perhaps the best place in the salon to advertise a new special on tanning or lotions.

Think about it. The customer will spend three to five minutes undressing, applying lotions and then dressing again. During this time you have a captive audience. A well-placed, professionally-designed sign or flyer will grab their attention.

Such advertising will support your overall marketing campaign and also help with the training of your sales people. As customers begin to ask about programs – rather than having to be told – your sales people will gain confidence. The positive interaction will also allow them to develop a better rapport with customers.

Other obvious key areas inside the salon include the front counter, windows, doors, etc. However, also consider bathrooms, vanity or makeup areas and any place inside the business where people may congregate.

Just remember to keep the advertising simple, easy to understand and professional in appearance. Specials can be changed as often as needed – quickly and inexpensively. The hard part of the business – getting the customer through the door – is done. Now you just have to maximize the opportunity.

LOTION PROMOTION A highly effective technique for increasing lotion sales is to take an empty bottle of the lotion you want to promote, place a sticker on the bottle that reads "Buy Me – Tan Free." Then place the bottle inside the tanning room on a shelf or on the tanning system itself. The bottle will grab the customer's attention and create a positive reaction. You can do the same in other key areas throughout the salon.



Crowd Pleasers:

A Weekend of FREE Tanning!

In more than 20 years of developing marketing programs for tanning salons, nothing has been more effective at jump-starting the engine of an existing business or kicking off the Grand Opening of a brand new salon as the weekend (or week) of free tanning.

That's correct: a free weekend or week of tanning. Many of today's most successful salon owners were also hesitant and skeptical at first. However, after seeing the results in both sales and customer turnout, their only regret was not doing it sooner.

Of course, you must have an action plan in place to create the excitement and then handle the surge of customers that will engulf your salon.

The purpose of the promotion is not to give away free tans. You are doing it to draw attention to your salon, get people through the doors and then make sales. Some of the more successful promotions may attract up to 500 people in a single day.

During the promotion you and your staff should be armed with an easy to understand, easy to sell – 'offer they can't refuse' special – that will be just too good for customers to pass up.

Some salons may offer a special on a month of base-unit tanning – that may also include two or three bonus sessions on the highest level of equipment. Others have done 'buy one package - get one free,' etc. The idea is to capitalize on the hundreds of customers visiting your salon.

The weekend or week of free tanning can work at almost any time during the tanning season. However, it is most effective at the beginning of the season, from mid-January to mid-February and towards the end of the season from mid-May to mid-June (See Endless Season).

Time Passages:

Sessions, Multi-Sessions and Time Specific Pages

The most common form of selling the service of indoor tanning is via individual sessions, multi-session packages and time-specific packages. Typically the salon will develop price points that provide discounts for making larger dollar purchases.

The strategy is to steer people into the larger purchases by using bonus sessions on the higher levels of equipment featured.

For example:

Premium Class:

Sundash Competition Series 232G

1 Session = \$7.00

5 Sessions = \$25.00

10 Sessions = \$40.00*

*Bonus: Buy 10 Sessions get (1) Free Session on Super Class System – \$10.00 value

Super Class:

Sundash Performance Series 240G

1 Session = \$10.00

5 Sessions = \$40.00

10 Sessions = \$60.00*

*Bonus: Buy 10 Sessions get (1) Free Session on Ultra Class System – \$25.00 value

Ultra Class: Ergoline Avantgarde

1 Session = \$25.00

5 Sessions = \$100.00

10 Sessions = \$150.00

30-Day Convenience Package: Premium Level Tanning Systems \$50.00*

*Bonus: Includes (1) Free Super Class Session and (1) Free Ultra Class Session – \$35.00 value

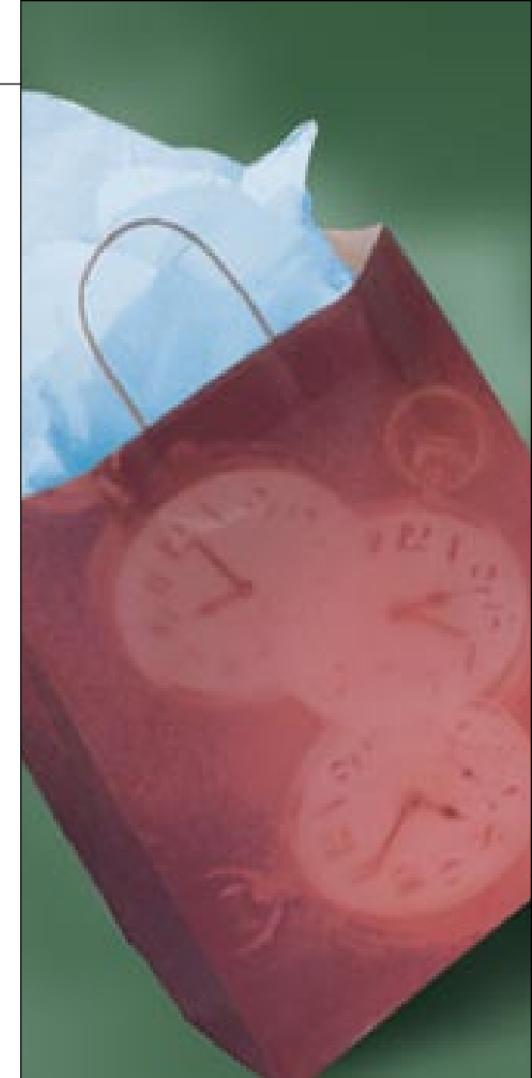
On the 30-Day convenience package, the two free bonus sessions must be used during the same corresponding 30-day period. We simply substituted sessions that the customer was going to use already for sessions on the Super and Ultra Class. The additional operating cost incurred (lamp usage and electricity) is that of the difference between each equipment level.

For example:

The Sundash 232G has an operating cost of approximately 36 cents per session, the Sundash 240G is approximately 66 cents per session and the Ergoline Avantgarde is approximately 85 cents. Therefore, we are able offer the customer a perceived value of \$25.00 for the free session on the Avantgarde that actually costs approximately 49 cents in additional operating expenses.*

If you will notice, in each case we did not lower prices dramatically in an attempt to increase sales. We simply offered more service. This concept can be easily adapted and/or expanded to accommodate your circumstances and financial situation.

*Note: Operating cost analysis is based on fair market lamp costs and usable lamp life for each respective unit. Electrical cost is based on 12 cents per kWh. Based on 20-minute Sundash 232 and 240, and 12-minute Ergoline Avantgarde. Use for comparison purposes only. Actual operating costs may vary.



Sun-Packs:

Packaging the Service of Indoor Tanning

Some salons prefer to sell the service of indoor tanning via individual sessions and multi-session packages. Others offer tanning by the minute, the week, the month or the year. Some may even package their tanning service using marketing terms such as points, stars, credits or memberships, etc.

Regardless of what you call it, how you sell it and how you package it – in the end you are still simply selling TIME. In the

Sun Business, the raw commodity that you are actually selling is 'time.'

Yes, indoor tanning allows you to enhance your appearance, look good, feel great, etc., however, the tan is simply the end result of the activity and the service rendered. In their most basic form, all service-oriented businesses sell 'time.'

The following information will help you better understand the techniques

and strategies used by many of today's most successful salons. However, before you implement specific dollar figures to your program, please contact your Sun Ergoline representative for information on a FREE Break-Even & Return-On-Investment Analysis of your business.

Sun Ergoline offers a detailed Break-Even & Return-On-Investment Analysis free of charge to all qualified customers and potential customers. This service will answer many of these questions and provide a better understanding of the relationship between day-to-day operating costs, session pricing, etc.

Straight to the Point:

Selling via Points, Stars, Credits, etc.

Through the evolution of the Sun Business, many creative methods for packaging and selling the service of indoor tanning have been used successfully.

In addition to the basic formula of sessions, multi-session packages and time specific packages, many salons use a credit or point system.

This system allows salon customers to purchase a set amount of points or credits, which in turn can be redeemed in conjunction with the use of any tanning system offered by the salon.

For example, a customer may purchase 100 points for \$50.00. Each point then has the cash equivalent of 50 cents.

If the customer wants to use the Sundash Competition Series 32-lamp bed for 20 minutes, the customer would redeem 14 points. This equals \$7.00 in cash.

If the customer decides to tan in the Ergoline Avantgarde for 12 minutes, they would redeem 50 points. This would equal \$25.00 in cash. (50 points x .50 per point = \$25.00)

Each time the customer tans, the number of points required to use a specific system for a specific amount of time is deducted from the customer's account.

This can be a very effective method of selling. Salons that offer this type of program report that customers are more inclined to use points without thinking about the actual cost involved. This concept is similar to using chips in a casino versus actual cash.

Some salons choose to offer a large amount of points per dollar while others offer lower amounts. In addition to using points for tanning, some salons extend the point system to include the purchase of lotions and accessory items.

As discussed previously, the salon may bonus the customer with additional points rather than lowering the price of a tanning package.

The bottom line, however, is that the salon is still selling 'time'. If you choose to sell tanning via this system you can continue to calculate your gross profit on each point package sold as well as the number of point packages that must be sold to cover all expenses and achieve your financial goals.

Great Timing:

Selling via Minutes

Another variation on this concept is selling tanning by the minute. Rather than charging a set amount for individual sessions, the customer pays only for the actual minutes used in a given session.

The advantage here is that some people, particularly those just starting an indoor tanning program, may not be able to tan for the maximum length of a tanning session. In accordance with the exposure schedule established for their skin type, they may only be able to tan for a few minutes as their tan develops.

Consequently, the customer may feel somewhat cheated if they pay for the equivalent of a full 20-minute session but may only be permitted to tan for 5 minutes. (The credit or point system can also be adapted to handle this concern).

For example, a customer may purchase 100 minutes of tanning on the Sundash Performance Series 240G for \$50.00. This equals 50 cents per minute.

If they choose to tan for only eight minutes they would pay \$4.00 for the session. If they tan for the entire 20-minute session it would cost them \$10.00.

An effective compromise is to offer a small package of 'minutes' only to new tanners as a 'starter package'. Then, once their base tans are established, move them onto sessions, points, months, etc.

Do You Feel a Draft:

Electronic Fund Transfer Programs (EFTs!)

Taking a page from the marketing strategies used successfully by health clubs, many tanning salons are using a system that automatically deducts a set amount of money each month from a customer's checking account. This allows the customer access to specific levels of tanning equipment, in accordance with the amount paid.

Typically the customer becomes a 'member' of the salon for a period of months or up to one year.

The EFT program is usually offered at a reduced rate as compared to the typical monthly or multi-session programs. The strategy is that the customer, who is virtually locked into the EFT program, will ultimately spend more money at the salon over the course of the year than a non-member.

For example, the salon may offer 30-days of tanning for \$50.00. However, if the customer becomes a 'member' of the salon and subscribes to the EFT program, they may pay only \$19.95 per month. If the customer stays on the program for one full year, then \$239.40 will be deducted from their account and placed in yours!

EFTs provide steady cash flow that can be more reliable than selling other programs. Furthermore, many salons have experienced great success with this type of program.

However, it is advised that you employ trained personnel who understand and can explain the program properly to your customers. Also, if you wish to introduce EFTs to an existing salon, do it slowly, without eliminating existing programs. Give customers a chance to understand the program and do not force-feed it.

In an attempt to keep customers on the EFT program, salons may reward them with a free session each month on the Super or Ultra Class units. In many situations, this free session may have a value equal to the monthly draft, thus providing a huge incentive to stay on the program.

Several companies, as well as some banks, specialize in EFT services for tanning salons. For more information, contact your Sun Ergoline representative.

A Class Act:

Super Sizing the Tanning Experience via Upgrades

Whichever pricing programs you choose to offer, the effectiveness of each can be enhanced dramatically by the 'upgrade' strategy.

For example: Customers who purchase a 30-day package on your Sundash Competition Series premium level equipment are given the privilege of upgrading to a higher level tanning system like the Ergoline Classic 450, 600 or Avantgarde at any time during the 30-day period – for a nominal charge.

The strategy is this: The customer has already paid for the 30-day package on the Sundash Competition Series equipment. When they use a session on the 232G it will cost you 36 cents for lamp use and electricity.

However, if you can bump them into a session on a Ergoline Classic 650, it will generate additional revenue on the session and also introduce the customer to a higher level of service.

The same strategy has been used for decades to increase sales in a variety of industries including fast food, car rentals and airlines.

For example, when you reserve a mid-size car from a car rental agency, you are often asked at the point of purchase if you would like to upgrade to a luxury car for just a few dollars more per day. The deal offered is usually much better than the normal luxury car rental price.

This strategy offers several advantages for both the customer and the company. First, it provides immediate, positive interaction between the customer and the company representative. If the customer takes advantage of the deal, it also introduces them to a higher standard of product. Once the customer experiences the luxury ride they may be more inclined to rent that type of car in the future.

In addition to the extra cash generated on the initial sale, in the long run this simple strategy may produce hundreds of dollars in business and provide the customer with a positive and memorable experience.

To offer such a strategy the car rental companies must often be flexible and allow the representative to make the offer as conditions and availability dictate.

For example, if the luxury car is not reserved for the day, yet all the mid-sized cars are booked, that is the perfect time to make the offer. This frees up a mid-sized car (which is normally the most popular rental) for another customer and keeps business flowing.

The same strategy can be used in a salon. If all the Premium level units are booked and customers are waiting – and at the same time a few of the higher level units are available – the salon should offer waiting customers

the opportunity to experience the upper level for a nominal fee.

The idea is to keep customers happy, keep traffic moving and create a positive and enjoyable atmosphere – while also increasing sales and profits.

Bundles of Upgrades To make the upgrade program work even more effectively, consider bundling upgrades into packages that generate fast cash. For example, if you normally offer upgrades from the Premium Class to the Ultra Class for \$10.00 each, you may also try selling a package of (5) upgrades for \$40.00. Or buy (5) and get (2) free. Just be creative and consider the possibilities.

Important Note: While offering upgrades to higher level equipment is an effective and proven marketing tool – don't sell the program short by only listing the upgrade price.

If you allow customers to upgrade from the Premium Class to the Super Class for just \$5.00 - be sure to advertise it as a \$10.00 value that costs just \$5.00. Do not simply list the upgrade price.

Also, if you use free sessions on the higher class units to sell lotions, etc., remember to use the full retail price of a single session – not the upgrade price.



Direct Mail:

Direct Males & Females to Your Salon

Direct Mail can be one of the most effective marketing tools for the tanning salon. However, there are some basic guidelines to follow for maximizing responses and your return on investment. Companies that specialize in direct mail for the tanning industry, such as Mail-Master Inc., can develop a complete direct mail program from start to finish.

Steve Smith, owner of Mail-Master, offers the following advice:

1. The direct mail piece should be targeted to a specific audience. You need to select households where potential customers live. This can be accomplished easily through proper list selection and demographic profiling.
2. The postcard or flyer should be professionally designed, eye-catching, colorful and slightly oversized if possible. You want your piece to stand out from the crowd.
3. Your message should be clear and easy to understand. Do not clutter the mailer with too much information.
4. Do not attempt to over-educate people via a direct mail postcard. You are simply trying to generate a response and get customers into your salon. Once inside your salon you will have more time for business.
5. To maximize its effectiveness, your mailer needs a hook or an incentive to create excitement and a call to action.
6. Create a mechanism for immediately measuring responses. Taglines such as "Present This Card For One Free Tan" will help gauge responses.
7. Analyze the results of the program. Determine from which neighborhoods or areas of town the most responses were generated. This can be done by examining zip codes on the front of your direct mail piece or using specific colors in your ad for each geographic area.
8. Use direct mail to support your overall marketing campaign. The design of the mail piece should compliment the 'theme' and 'image' of your business.

While some people are quick to estimate that a half-percent to two-percent response rate is typical for most direct mail campaigns, many salon owners report three to five percent response rates via the use of a truly special and unique offer.

For more information on developing a direct mail campaign for your salon, contact your Sun Ergoline representative.



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The Endless Season:

How to Conquer the Off-Season

Every industry veteran will tell you that tanning salons do the majority of their business from January to June. However, due to the increased use of well-conceived and well-timed marketing and sales strategies, many salons have found ways to keep the cash flowing steadily almost year round. For some, the indoor tanning season itself has extended well into August.

One such successful program that we introduced way back in 1985 was the Endless Season. The concept was simple: offer customers an incredible special that allowed them to tan from July – December, for a very reasonable price.

Knowing that most customers do not frequent tanning salons actively during the second half of the year, it was determined that this was a win-win situation.

For example: Customers have willingly been paying up to \$50.00 per month on Premium Class tanning units from January to June. Knowing that business is about to slow, the salon owner creates a special promotion that allows the customer to tan for the rest of the year for \$100.00.

Given that rent costs, etc., remain consistent, it was hoped that the promotion would generate sufficient revenue to pay the bills through the slower months and keep the salon financially strong until the next season.

Since its introduction more than 18 years ago, this program has provided a dynamic marketing tool that rewards both customers and salon owners.

Naturally, the program must be customized to reflect the needs and goals of each individual salon. What's more, not all salons will choose to implement such a program. Other programs such as EFTs, etc., may conflict with the Endless Season promotion. However, the concept itself should provide you with the basis for developing your own successful strategies.

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WebMaster:

Where the Sun Shines 24/7

The Internet was made for the Indoor Tanning Industry. No other marketing vehicle offers such potential for reaching customers and advertising your products and services.

Yet, only a small percentage of salons have actually embraced the Internet and taken advantage of what it truly has to offer. Those salons who have – and have done it well – report dramatic responses and the development of a closer relationship with their customer base.

A well-designed Web site can provide existing customers and potential customers with a virtual guided tour of your salon. It can highlight your equipment via full-color photos complete with features and benefits. Lotions and accessory products can also be clearly displayed and explained.

Product specials, hours of operation, directions to your location, phone numbers, new equipment profiles and any other information you wish to communicate can be updated almost immediately.

In addition, with the use of e-mail, this information can be communicated almost instantaneously – all without the expense of printing and postage.

So what's holding you back? Why doesn't your salon have a dynamite Web site?

Some see the Internet as too expensive and too confusing to understand. They think the software to develop the site is both pricey and cumbersome. On top of that, some view the site-hosting and connection fees as just another monthly expense they don't need.

That may have been true a few years ago. Today, however, there are many companies that will provide complete Internet development and support at prices that are reasonable and affordable.

One such company, YourWebPress.com, has developed a program specifically for tanning salons. James Martin, owner of the company, analyzed the tanning industry and created a simple, easy to use program that will get salons online quickly. In addition, it allows salons to update their site without having to be experts in computer software.

The following is some helpful advice from www.yourwebpress.com:

1. Your Web site should be an extension of your salon. Use it as a portal for people to view equipment choices, product updates, etc. at their convenience.
2. Update your Web site regularly. Perhaps a section on salon news or happenings that people look forward to reading each week.
3. Create a response mechanism for measuring visits to the site.
4. Encourage people to join your e-mail list via promotions, etc.
5. Create a customer satisfaction survey section. You want them to express their opinions about their salon experiences.

Most importantly, get your salon online. Once you get started, you will be amazed at how enjoyable it can be. The creative opportunities and possibilities are endless. Contact your Sun Ergoline representative for more information.



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THE BIG PICTURE

Dollars-per-Customer-per-Year

A salon that can attract 2,000 different people through its doors is clearly doing something right.

Database Profiling: Based on our study of more than 1,000 salon profiles, the typical, well-run, 10-unit tanning salon will have built an active database of more than 2,000 different customers after just 12-18 months in business. In addition, that same salon may generate annual gross sales of up to \$150,000.00 or more – providing a solid return for the hard-working salon owner.

While these are strong numbers, they do not reflect the true potential of the business. A salon grossing \$150,000.00 per year with an active database of 2,000 customers is only generating \$75.00 per customer, per year. Most salons charge that for one to two months of tanning and some lotion products sell for as much.

A salon that can attract 2,000 different people through its doors is clearly doing something right.

The reason sales are being limited is often attributable to three reasons.

1. The methods the salon chooses to price and sell its tanning sessions
2. The faulty training or lack of training of front counter personnel
3. The failure to cross-promote different levels and types of products effectively

For example, in an effort to be all things to all people, the salon owner may create too many different pricing programs. Unfortunately, with so many choices, both the customer and the salon employees are confused.

The employees, who have not been trained properly and are uncomfortable trying to explain the higher priced (and more profitable) programs simply take the path of least resistance – which is normally selling whatever the customer asks for.

Consequently the salon's customers, who often come to the salon to relax, try to avoid confusing and time-consuming sales presentations. The result is that they purchase the most basic of programs.

In other situations the salon owner develops pricing based on what the competition in town is charging – without giving any consideration to true cost analysis and/or their unique financial situation.

Successful salons that far exceed the national averages for sales revenue do so by first conducting a detailed Break-Even & Return-On-Investment Analysis of their business – and then develop pricing strategies that capitalize on their true understanding of the Sun Business.

See the workbook section of this magazine for break-even information.

THE BIG PICTURE Dollars-per-Customer-per-Year

Analysis of Customer Spending

Analyzing the database of the typical 10-unit tanning salon and calculating the actual dollars spent by each customer during a one year period, provides the information needed to better understand the true sales potential of the well-run and successfully operated tanning salons.

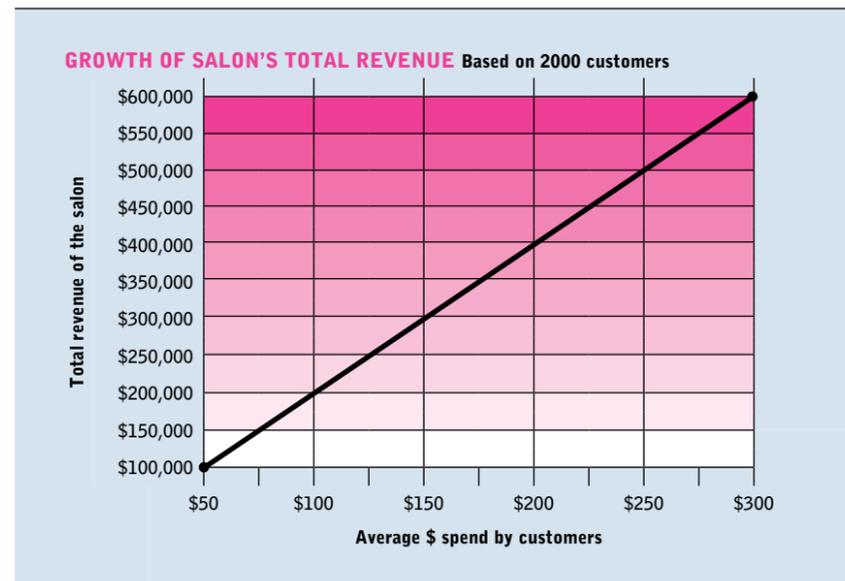
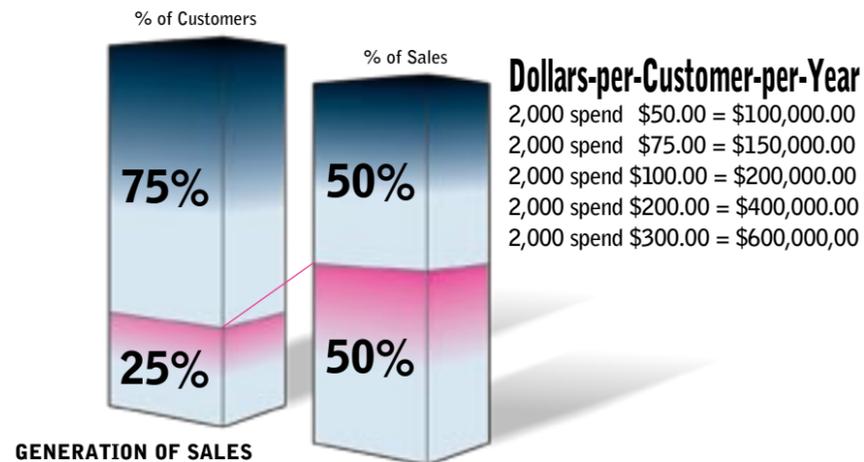
The study of the database of the average salon usually reveals that 50% of sales are generated by just 25% of the salon's customers. That means that of the 2,000 total people in the database, 500 provide the core business and account for up to half of all sales.

Consequently, 1,500 customers (75% of the database) produce the other 50% of sales.

If gross sales are \$150,000.00, then the 500 customers who account for 50% of sales (\$75,000.00) each spend an average of \$150.00 per year.

Accordingly, the 1,500 customers who account for the remaining 50% of sales (\$75,000.00) spend just \$50.00 each per year. Overall, the salon averages just \$75.00 per customer per year.

While one may be quick to suggest that the way to increase sales and profits is to concentrate on the 1,500 people who spend just \$50.00 each, the real key to achieving success is to increase sales on all levels.



Steering Mechanisms

As consumers, we make hundreds of purchasing decisions every year. The competition for our dollars is fierce and manufacturers are constantly trying to find ways to steer us toward their products and away from the competition.

The next time you go to the grocery store and stroll down the aisles, be observant of the different packaging and promotional specials used to grab your attention.

In the oral hygiene section you will probably find two tubes of toothpaste from competing brands sitting side-by-side on the shelf. They will be the exact

same size, flavor and make identical cavity-fighting claims. Both tubes retail for \$2.99. However, one tube offers a free toothbrush – attached right to the box and valued at \$1.99. The other product doesn't.

In our minds we quickly calculate the perceived value of the free toothbrush and deduct it from the actual selling price. We are fast to realize that given the value of the free toothbrush, the tube of toothpaste now costs us just \$1.00.

Now examine what really happened. The free toothbrush, with packaging and promotion, probably cost the company

about 25 cents. By including the free toothbrush, the packaged product took on a new appeal and immediately looked like a better value. Whether or not we actually needed a new toothbrush at that time, we still took advantage of the special because we believed it was the smart decision.

Of equal importance, the company did not lower its price. It got the sale because it gave more products for the same price. Best of all, to truly realize our discount, we must use both products – thus setting the stage for future selling opportunities.

Salon Specific Strategies Successful salon owners use a variety of easy to understand pricing strategies to steer customers into higher priced and more profitable tanning packages. This is accomplished most effectively when several different levels of tanning systems are utilized within the same salon.



For example, your salon offers three levels of tanning equipment. Your Premium Class features the Sundash Competition Series 232GSF. Your Super Class features the Ergoline Classic 450 and your Ultra Class features the Ergoline Avantgarde.

Your salon charges \$50.00 for one month (30 days) of tanning on your Premium Class tanning systems. To entice the sale you include (1) free session on the Super Class tanning system, valued at \$15.00 and (1) free session on the Ultra Class Avantgarde, valued at \$25.00. The two free bonus sessions must be used during the same 30-day period as the original package purchased.

The customer is quick to realize that after deducting the value of the \$40.00 in free tanning sessions, the monthly package effectively costs just \$10.00. This can be further reduced in their minds to about 33 cents per day.

In order to realize their discount, the customer must take advantage of the two sessions on the larger units, thus patronizing the business again and creating additional selling opportunities.

The Best Deal in the House Utilizing the 'steering strategy,' consider taking this to a higher level. The salon charges \$50.00 for one month of tanning on the Premium Class Sundash Competition Series 232GSF. This calculates to \$600.00 for one year of tanning purchased in monthly increments.

The customer is then given the following choices:

Purchase one month for \$50.00 or the entire year for \$240.00. As an added bonus, if they purchase the one-year package, they also receive (5) free sessions on the Ergoline Classic 450 and (5) free Ultra Class sessions on the Ergoline Avantgarde.

The (5) session pack on the Classic 450's sells for \$60.00 and the (5) session pack on the Avantgarde sells for \$100.00. That's \$160.00 in tanning – FREE.

Now the one-year package may be presented as having the perceived value

of one full year of tanning for only \$80.00 (\$240.00 - \$160.00 = \$80.00).

What's more, to realize their discount the customer must repeatedly patronize the business. Once again, the actual package price was not lowered and at the same time additional selling opportunities have been created.

Once a customer experiences the luxury and tanning performance of the 'upper class' equipment, they may be inclined to make additional purchases on those units.

Obviously, not every customer can pay upfront for a full year of tanning. And, some salons may need to charge more than \$240.00 per year while others may find this figure or a lower figure allows them to achieve their goals.

The point we are trying to communicate is that there are many ways to steer people into what you want them to purchase by using perceived value as a marketing tool.



A Good Comparison... Think about other businesses that successfully use this strategy. Your local Cable TV company offers several levels of service. The Basic Cable may be \$19.95 per month. If you want Expanded Cable it's \$29.95 per month and if you want Premium Cable with HBO, etc., it may be \$39.95 per month or more.

The cable companies will often include three free months of Premium Cable when you sign up for a one-year package on Basic Cable.

Sometimes to entice you to try the upgraded service, they will offer a free weekend of Premium Cable at select times of the year. They know that it's difficult to have just the Basic Cable when you've experienced the Premium Level of service.

The same logic holds true for indoor tanning. Salons can use different levels of tanning to get people to spend more money per visit and per year.

Your pricing structure and sales strategies should be based on the analysis of your business situation including fixed overhead, equipment mix and financial goals.

When it comes to developing pricing strategies for your salon, never lose sight of the 'Big Picture.' Reduced to the simplistic, if 2,000 people spend \$150.00 per year in your salon, it results in \$300,000.00 in gross sales.

Your experienced Sun Ergoline representative will assist you in developing the pricing structure and sales strategies to help you achieve your goals. Call 1-800-643-0086 for more information.



A Classic Example... There is a salon chain in the United States that had been doing business successfully for more than five years. The salon owner made a comfortable living and the business allowed the owner to live in a beautiful home, drive the latest automobiles and send the kids to the best schools.

In a previous year, the seven locations, which feature an average of 15 units each, grossed approximately \$1,600,000 in sales for an average of \$228,571.00 per location and \$15,238.00 per tanning unit. At the same time, the salon chain boasted more than 23,000 names in their database.

For all intents and purposes, the salon owner is doing very well. However, even at this level of sales, a tremendous opportunity is being missed and perhaps a potential problem is waiting in the wings.

\$1,600,000 divided by 23,000 customers is only \$69.57 per customer. Clearly the business is doing an excellent job of attracting people and getting them into the salon. The problem is that additional selling opportunities are being missed inside the salon.

In addition, the salon may actually be creating – and then giving away – customers to the competition without even realizing it.

A thorough evaluation was conducted of each location in the salon chain and several problems were quickly uncovered and corrected. In fact, most

of the problems were minor and sales began increasing almost immediately.

The salon owner simply needed to re-evaluate the business model and fine tune the sales approach. Here is a list of some of the problems that were uncovered and corrected:

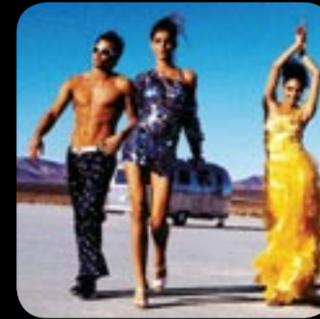
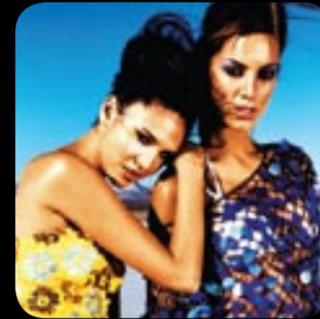
1. Pricing structure was confusing – even to the employees. There were too many different types of tanning programs available and customers had difficulty selecting programs to fit their needs.
2. Pricing programs were conflicting and didn't encourage additional or repeat purchases.
3. Price sheets were crowded with information and difficult to decipher.
4. Cross-promotional opportunities between equipment levels were too limited and restrictive.
5. In-store advertising was non-existent.
6. Promotions to encourage lotion and product sales were poorly designed.

By fine tuning the operation, the salon chain was able to increase sales an average of \$20.00 per customer in the following year. While this doesn't sound like a tremendous increase, it resulted in more than \$400,000.00 in additional sales for the company.

NOTE: Figures are for comparison purposes and example only. This is not to be considered a guarantee of income, revenue, return on investment, market conditions, merchantability or future expectations. Actual results will vary.

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Using Demographics & Psychographics to Understand Customer Behavior and Maximize Profit Potential

TOTAL REACH & H

Mass Appeal

A demographic profile can provide extensive information including:

- The total population of a given area – often categorized by zip code, town, city, subdivision, etc.
- An analysis of the population according to age, sex, race and marital status.
- An analysis of the population's income levels, etc.
- An analysis of the population's housing market including single family homes, apartments, etc., and the median price of homes in the area.

All customers are not created equal. Therefore, it is very important to design your salon to appeal to a wide audience of people. It is equally important that you develop marketing, advertising and sales strategies that will address the needs, wants, desires and expectations of the diverse group of customers that your salon will attract.

A demographic profile can provide you with fundamental information about your target market. Such information can be very useful when determining where to open a new location or simply to help better understand the marketplace dynamics of an existing salon.

In fact, your Sun Ergoline representative will provide you with assistance in performing a demographic profile of your target market.

Furthermore, to maximize your profit potential on every customer, you should have a detailed knowledge of your marketplace and complete information on the population, income, housing, etc.

Easier said than done? Simply read on...

In an effort to determine the best location for a salon, we often rely on a demographic profile of your target market to help analyze your potential customer base.

However, a demographic profile does not provide a great deal of information about the actual behavior of your individual customers. Demographics may tell you how many people in your area own a home but it will not tell you how they furnish the home, what music they listen to or what clothes they wear. For that information, you may choose to analyze psychographics.

TOTAL REACH & Mass Appeal

Psychographics: The Unhidden Agenda

People express themselves, both consciously and unconsciously, via clothing, hairstyle, jewelry, cologne, body language, physical shape, etc. The type of car driven, the neighborhood where they live, the social clubs and functions they attend, etc., also are a form of personal expression.

Psychographics deal with the analysis of individual customer behavior with emphasis on spending habits, product preferences, selection, etc.

Interpreting the messages customers send via their spending patterns, lifestyle choices and actual product selection provides vital information. This information may be used to develop your own sales and marketing strategies – and steer customers into making purchases of your products and services.

Psychographics support demographics by helping you effectively communicate your message to the different groups that comprise your target audience.

Rich Man, Poor Man & Middle-Class Man

For example, when opening a salon, many people are quick to assume that they should open their business in a part of town where the inhabitants have the highest income levels for the area.

Knowing how much a person earns in a year is great information. However, understanding how much of their income they are willing to spend – and on which products and services they spend it – is of much greater value.

Obviously, your customers must have the ability to afford and want the products and services you offer. However, people who earn \$100,000.00 or more per year often comprise the minority of potential customers. Typically, these people are very discerning when it comes to spending.

Conversely, the majority of people are usually in the middle class earning \$20,000 to \$50,000 per year. Studies show that these people typically spend more freely than those in higher income brackets.

Ideally, the salon should be located in an area that allows it to draw from a wide range of people from many different income levels and demographic categories.

In essence, the salon becomes a semi-private beach or club that offers escalating levels of tanning equipment, lotions, accessories and services that are effectively packaged to appeal to a diverse consumer audience.

While each level of tanning equipment, etc., appeals to all customers, some people will be more inclined to use the base-level tanning units while others may aspire to the middle or upper levels.

Profiling for Dollars...

The successful 10-unit salon can typically build a database of more than 2,000 different customers within 12 to 18 months after opening. These 2,000 people will come from a variety of socio-economic backgrounds. Each will have their own level of expectations that they hope to attain from the products and services offered by your business.

While no business can be all things to all people, it is possible to analyze your database and categorize people into basic groups. Each group will have its own personality and recognizable characteristics. As you identify with each group you can then develop both individual and mass market sales strategies that will effectively appeal to the people in each category.

Please note that the following is an entertaining exercise in psychographic analysis and interpretation. The intent is to offer exaggerated examples of customer profiling. Have fun with it!

Club Tanners

These are people who want to come to your salon because they enjoy the camaraderie of the group. They want to belong and feel like they are part of something much larger than themselves.

They are, for the most part, conservative in nature with liberal tendencies toward social issues.

How to Recognize a Club Tanner

- Dress is stylish and sensible, especially when it comes to footwear.
- Minivan or SUV.
- Soccer Moms, Scout leaders, etc.
- Own a home, moderately successful.

How to Sell to a Club Tanner (Catch Phrases)

- This is our most popular tanning system.
- Everyone buys this package.
- All the women from the club are using this lotion.

Club Tanners Equipment of Choice

Base beds (Premium Class) with upgrades to mid-range (Super Class) and an occasional splurge when coaxed to the Ultra Class. They respond well to incentives and mid-morning specials.



The Emulators

These people want what others have – and they want it now! Though on a limited budget, they have insatiable appetites for the better things in life. While stumbling often, they keep charging ahead on life's treadmill.

How to Recognize the Emulators & Imitators

- Fashion leans toward the trendy and flashy.
- Sports car or late-model import – usually leased.
- Accessorizes heavily – bracelets, chains, rings. You will hear them coming.
- Excessive use of colognes & fragrances, especially among men.
- Typically rent an apartment in a 'popular' complex while others dwell in parent's basement.

How to Sell to the Imitators & Emulators (Catch phrases)

- A deep, dark tan will really get you noticed.
- Have you been working out?
- A few sessions in this tanning bed and you will look like you just got back from the Caribbean.
- This lotion sells for \$50.00 a bottle. How many do you want?

Emulators Equipment of Choice

Though they would love to use your Ultra Class tanning systems on every session, their limited budget restricts them primarily to Premium & Super Class. However, given the chance they will leap at the opportunity to upgrade to First-Class – and tell everyone about it. Beneath the surface these people are actually caring and compassionate – and will be your most loyal customers. Treat them well.



The Achievers

These people are the real deal— no façade, no pretenses. What they have they have earned. They are very discerning when it comes to personal spending. They enjoy the finer things in life but are not snobbish. They simply relish the rewards of hard work and intelligent thinking.

How to Recognize the Achievers

- Wardrobe is expensive, yet tasteful.
- Automobile selection is based on quality, engineering and design— not hype and rebates.
- Reside in the areas finest neighborhoods. (Think “gated community”)
- The Rolex is real, the credit card is Platinum.

How to Sell to the Achievers (Catch Phrases)

- You should experience the Avantgarde.
- This lotion is in limited supply.
- Shall I reserve a session for the same time next week?

The Achievers Equipment of Choice

While they will naturally gravitate toward the Ultra Class, do not be presumptuous when selling. Explain features and benefits of each unit without the hype and they will make the educated decision. They are excellent candidates for VIP-type packages and programs.

They simply relish the rewards of hard work and intelligent thinking.

They are genuinely concerned about issues like the environment and gun control – you just don’t want them using your salon for a pulpit.

The Socially Concerned

This group fortunately represents the minority of the database. These are people with causes who preach whenever they speak. They are genuinely concerned about issues like the environment and gun control – you just don’t want them using your salon for a pulpit. They will ask questions about the tanning process and melanin production but really don’t want an answer.

How to Recognize the Socially Concerned

- Brown bag lunch which they would like to eat in your lobby.
- 1969 VW Van complete with fading Woodstock bumper stickers.
- Attire is purposely frumpy and loose-fitting, accented by PBS tote bag.
- Rope sandals worn year-round.

How to Sell to the Socially Concerned (Catch Phrases)

- This lotion is dolphin safe.
- This tanning package will save you money.
- A relaxing tanning session in this bed will energize your persona.

Equipment of Choice for the Socially Conscious

While you wouldn’t expect people with this personality type to even patronize a salon, the truth is they do quite often – and they find the experience to be more spiritual than cosmetic. Yes, the Premium Class is typically their ‘sun du jour.’ However, an occasional upgrade to the Ultra Class will keep them appreciative and loyal.

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Examples from Mainstream Business

Now that you have a better understanding of how to identify the different types of people that may patronize your business, let’s examine how this knowledge is actually applied to a major industry.

Be Our Guest...

The hotel industry provides one of the best examples of how a single location can offer wide appeal to a diverse audience. Through the use of both demographics and psychographics, today’s successful hotels are in essence transient melting pots that lure customers to their doors through both subtle and obvious marketing techniques.

For example, the overall ‘theme’ of the hotel is expressed in its décor, design, location, layout, etc. This in turn sends a clear message regarding the class of service offered and the ability to satisfy customer expectations. Furthermore, each level of guest room accommodations offered within the hotel is designed to appeal to a different audience from within the sector.

Consider the typical mid-range hotel. The majority of rooms are usually of the standard variety. The room is average in size, featuring a king-size bed, basically comfortable and reasonably priced. Typically 60% to 70% of the rooms in the hotel will fall into this level.

On the next level are the Executive Suites. These rooms are about 25% larger than the standard rooms and often have separate sitting areas with a small couch, desk, mini-bar, etc. These rooms are also located on the upper floors of the hotel and offer better views. Typically about 15% to 20% of the rooms are in this level.

The best rooms are on the highest floors and are often referred to as Penthouse Suites. These are most elaborate and often feature two or three bedrooms and bathrooms. It is well equipped with wide-screen TVs, fax machines, full-service wet bars, etc. Views are spectacular and the service is impeccable. Normally, a special elevator key is needed to reach these floors. Approximately 10% to 20% of the rooms are on this level.



Room Service...

Hotels will often offer specials on the higher class rooms to entice people to use them more often. Upon check-in, a customer, who had previously booked a standard room, may be offered a suite at a reduced rate. The strategy is that once the customer experiences the larger room and better amenities available in the suite, they will be more inclined to reserve one on their next trip.

At the very least, the customer is extremely appreciative of the upgraded service and will remember and communicate the experience frequently.

Hotels also offer free upgrades to suites, etc., based on the amount of ‘stays’ in a standard room. If during the course of the year, the customer spends 10 nights in a standard room, they will be entitled to one free night in a hotel suite.

Customers are quick to realize the value of the free night in the suite – and can calculate their effective savings based on total nights spent in the hotel.

Places in the Sun...

Now consider how this strategy can be adapted to your salon and the tanning industry in general. By using escalating levels of tanning systems you can appeal to a variety of customers from different income levels, age categories, etc. Consider the following example based on a 10-unit salon.

Base units, which we suggest you refer to as your Premium Class, are used to handle the majority of customers. Normally these customers will be from the middle class sector of the population. Consequently, the majority of tanning systems featured in your salon would consist of equipment from the Sundash Competition Series or Ergoline Classic 300. The salon may feature four to six of these units.

The next level may feature tanning equipment such as the Sundash Performance Series or Ergoline Classic 450. The mid-range, which we suggest you refer to as your Super Class, will be utilized by all customers and used as a stepping stone in the sales strategy. The salon may feature two to four of these tanning systems.

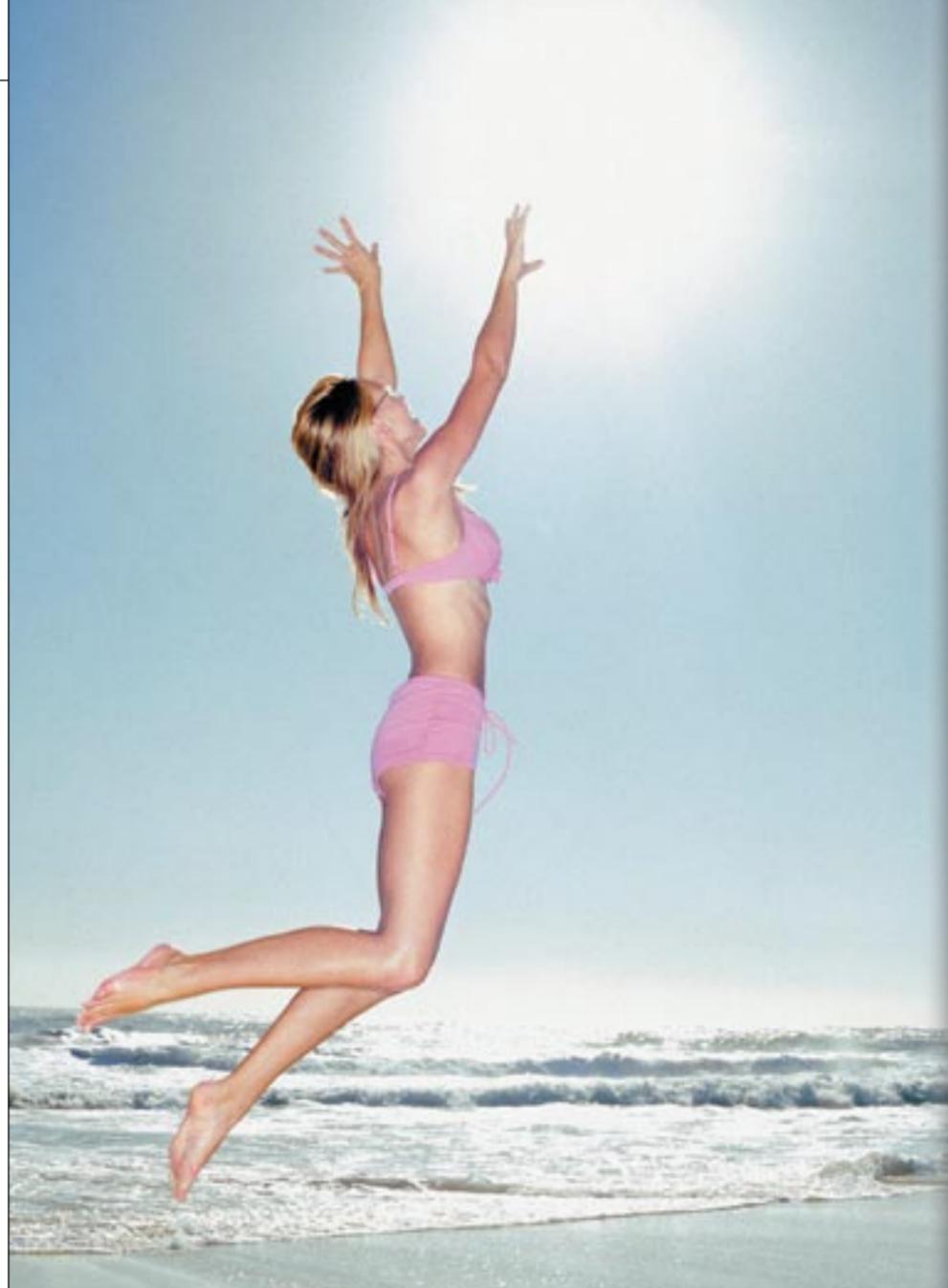
On the highest levels, which we suggest you refer to as your Ultra Class, you would find the Ergoline Avantgarde, Ergoline Classic 600 or Ergoline Classic 650. These units represent the Penthouse level of tanning.

Some salons may choose to offer only two levels of service and others may go as high as five levels. However, the marketing principle remains the same.

You'll want to use the higher classes of tanning systems as marketing tools to sell more tanning packages, etc., on each lower level. In addition, you'll want to create a salon atmosphere that will attract a diverse customer base.

PUTTING BUTTS 'N BEDS There are striking similarities between the indoor tanning and the hotel/motel Industries. Using marketing strategies that work for the hotel industry can help increase sales for the tanning industry.

The late Kemmons Wilson, who was the founder of the Holiday Inn chain of hotels (and who actually featured tanning units in some of his hotels), once made an interesting observation and commented that the tanning industry and the hotel industry are very similar. He said, "It's all about putting butts in beds."



The Complete Package

Naturally, there are many ways to adapt these strategies to your unique situation, target market and personal observations about the Sun Business. Some salon owners may choose to place more emphasis on the high end while others will choose to go after the mass markets. Innovative variations on the example have produced a wide variety of successful salons that reflect the true entrepreneurial spirit of the individual owner.

The Sun Business is evolving into a truly rewarding business opportunity with virtually unlimited growth potential and opportunity. Your Sun Ergoline representative is ready to assist you in each phase of your business development. For a personal consultation we invite you to call 1-800-643-0086.

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combination salons



It is now apparent that the active promotion of indoor tanning equipment by the health clubs and beauty salons of the early 1980s has played a key role in creating the solid foundation for today's indoor tanning industry.

MORE THAN Just Salons

In the early 1980s, long before trade shows or magazines for the tanning industry were even being contemplated and full service tanning salons were few and far between, the majority of tanning equipment sold was to health clubs and beauty salons.

In fact, the closest thing to a tanning industry trade show back then would have been the National Sporting Goods Show in Chicago or one of the major beauty shows. At the time, few dreamed that the industry would achieve such remarkable success and popularity.

It is now apparent that the active promotion of indoor tanning equipment by the health clubs and beauty salons of the early 1980s has played a key role in creating the solid foundation for today's indoor tanning industry.

Today, tens of thousands of commercial tanning systems continue to actively generate revenue in beauty salons and health clubs throughout North America.

Along the way, video stores, laundromats, day spas, nail salons, hotels and motels, etc., have also learned how to utilize Sun Ergoline tanning equipment and our proven marketing strategies to increase their profit potential.

Whether one chooses to open a freestanding salon or add tanning to an existing business as an additional profit center—each location contributes to the growing recognition of indoor tanning as a viable and readily accepted lifestyle activity.

The following business profiles will demonstrate how the addition of Sun Ergoline tanning equipment to an existing business may have a dramatic impact on increasing total revenue and maximizing usable space.

MORE TIME FOR TANNING In addition to the business combinations profiled in this publication, Sun Ergoline also has information on how to add indoor tanning to Laundromats, Hotels & Motels, Day Spas, etc.

For detailed information on how you can increase your profit potential through the addition of Sun Ergoline tanning equipment and our proven sales strategies and extensive marketing support programs call 1-800-643-0086.

A most impressive fact is that a large percentage of the people who first enter the Sun Business as a sideline to an existing business will eventually open freestanding tanning salons of their own.

MORE THAN Just Salons

Most beauty salons readily admit they have no intention of directly competing with the freestanding tanning salons in the area. The successful salons simply use indoor tanning as a device for increasing profits on existing clientele and maximizing the space available in the store.

Beauty salons were quick to grasp the concept of indoor tanning because of the fact that the two businesses complimented one another perfectly—and could draw from the existing, built-in clientele.

Typically one high quality tanning system, actively promoted to salon customers, may generate up to \$15,000 per year or more in gross revenue. Considering that a Sundash tanning unit requires just an 8'x7' room, that \$15,000 is a handsome return on just 56 square feet of space.

Most successful beauty salon owners will sell tanning packages that average \$40 for 30 days of tanning. If 25 customers purchase the package, that generates \$1,000 per month in gross revenue. That can often be more than

enough income to cover the monthly payment on the unit and generate a solid return on investment.

In addition, the cross-promotional opportunities are endless. Besides selling tanning lotions and skin care products, beauty salon owners can use the tanning system to increase the sale of shampoos, conditioners, gels, glazing, etc.

For example, the Sundash Competition Series 232 has an average operating cost of about 39 cents per session. This includes lamp use and electricity. Many salons charge \$6 to \$8 for a single, 20-minute session.

Successful salons are using free tanning sessions to increase retail product sales. When a customer buys a \$20 bottle of shampoo (that typically

costs the salon \$10) the customer is given a bonus of a free tanning session.

The customer is quick to realize the cash value of the tanning session and calculates the discount off the shampoo purchase. The salon owner in turn, makes a fast sale and creates a happy customer with both tanning and the shampoo.

More importantly, the salon owner did not lower the price of the product. Moreover to realize their discount, the customer must patronize the salon again.

The possibilities are endless and the audience is captive. For more information on adding tanning to your beauty or nail salon, contact a Sun Ergoline representative directly at 1-800-643-0086.

Health Clubs, Gyms and Fitness Centers Profit Centers

Long before the hot topic of seminar guru's and trade publications, successful club owners are now taking full advantage of their tremendous membership databases with the addition of separate, yet internal profit centers.

Dollar for dollar, pound for pound and square foot for square foot, indoor tanning is becoming the preferred 'Profit Center' of choice.

Health clubs, gyms and fitness centers attract many of the most appearance-conscious customers in the world. Indoor tanning equipment provides an extension of their services and allows members to put the finishing touches on their improved physiques.

Indoor tanning also provides the club owner with a tremendous advantage—as the service of indoor tanning already has a high perceived value established in the minds of club members.

To capitalize on this fact, successful health clubs are using tanning packages—separately priced from the standard health club memberships—to increase sales and profits on every membership sold.

For example, a typical health club sells its memberships for \$50 per month, based on a one-year membership. Total cost, \$600. Rather than simply including tanning as part of the package (like the saunas, hot tubs, etc.) the smart club owners are using the leverage of the perceived value of the package to close deals.

By pricing the tanning separately the club owner can use the tanning package as a closing tool. Let's say the club offers 90 days of tanning for \$150.

To entice a potential club member to sign up for a one-year membership today, they are offered the \$150 tanning package free. The club owner is able to offer a \$150 discount on the membership, without lowering the price.

The concept can be used in a variety of methods to increase sales and increase the profit on every membership sold.

The program works with maximum efficiency when the club features indoor tanning as a separate business inside the club that is also open to the general public.

In this way, the club can reverse the sales strategy. For example: A customer who comes in to purchase three-months of tanning for \$150 is offered a bonus of one month of the health club free. That's a \$50 value on the \$150 tanning package.

When the customer experiences the fine services offered by the club, they may be inclined to become a member. At the very least, the club owner has created an additional profit center and new selling opportunities every time the customer comes to tan.

Using this sales platform combined with a thorough understanding of the Sun Business; health clubs, gyms and fitness centers are using the power and popularity of indoor tanning to gain and keep new members.

TANNING SESSIONS CAN ALSO BE USED TO INCREASE SALES of retail items in the pro shop. If you would like more information on how to properly utilize indoor tanning to increase your profit potential, call 1-800-643-0086.

Video Rental Stores

It is common knowledge that Sun Ergoline pioneered this unusual, though phenomenally successful business combination. What began as a limited test marketing project in 1992, has today grown into one of the most mutually beneficial relationships in the history of the industry.

In fact, when Sun Ergoline exhibited at their very first video show in Las Vegas back in the early 1990s, show management was so perplexed by the concept that they gave Sun a booth in the back of the show—right next to the last company in the industry that was still trying to resurrect Beta-Max video tapes.

However, ten years and more than 3,000 video and tanning combinations later, business is thriving.

Indoor tanning and video work well together for several basic reasons. It has to be understood that the two businesses have virtually nothing in common. That is, few people would

plan their days around getting a tan and then renting a movie.

What allowed the businesses to work so well together was the fact that they complimented each other almost perfectly.

Video stores are busiest Friday, Saturday and Sunday while tanning salons see most customers Monday through Thursday. Tanning salons do the majority of business from January to June. These are often the slowest times of the year for video.

Sun Ergoline recognized the fact that the video store could use the same staff to man both businesses thus maximizing employee effectiveness.

Some store owners were concerned that they didn't have enough room for indoor tanning. However, after a basic break-even and return on investment analysis of their stores, (conducted free of charge by Sun Ergoline) it became apparent that 80% of the store's revenue was generated by videos that occupied just 20% of the store's usable space.

SUNERGOLINE HAS DEVELOPED A COMPLETE INFORMATION PACKAGE ON A VIDEO AND TANNING COMBINATION. It provides answers to the most important questions video store owners have regarding the concept.

In addition, it provides complete details and information on startup and operating costs, marketing support, traffic flow, seasonality and return on investment analysis. Testimonials from recognized video industry veterans who have increased their profits through the addition of indoor tanning are also included.

If you would like a free copy of this exciting industry report, call Sun Ergoline today at 1-800-643-0086.



THE WORLD-WIDE LEADER, RIGHT AT YOUR FRONT DOOR



JK-HOLDING The Global #1 Solarium

> JK-Holding, located in Windhagen, Germany, is the world-wide leader in professional tanning equipment. For more than 30 years, the corporate strength of JK-Holding has been the catalyst that propels salons to unprecedented levels of success.

Utilizing cutting-edge, European-based engineering and manufacturing have ensured that all JK products are built to exceed the demands of high traffic salons. Innovative UV technologies, exclusive designs, excellent workmanship and high resale values have all contributed to making JK products the most respected and sought-after brands in the world.



JK NORTH AMERICA Your Resource For Success

> Headquartered since 1979 in Jonesboro, Arkansas, JK North America has a strong U.S. presence and owns and operates a 135,000 square foot state-of-the-art manufacturing and distribution facility. Its full-service staff is ready to assist you in every aspect of your business with sales, marketing, financing and customer service.



FINANCING SUPPORT JK Capital

> We will work with you to develop custom tailored financing solutions to accommodate your salon's specific need, business strategy or expansion plan. Our ultimate goal is to support any equipment financing need you might have today and to remain a trusted partner as you grow your business.



MARKETING SUPPORT Salon Promotions

> It's no secret that creating eye-catching marketing and promotional material is vital to the success of your salon. That's why we provide high-profile advertising and point-of-sale support with high-impact marketing concepts and attractive campaign materials.

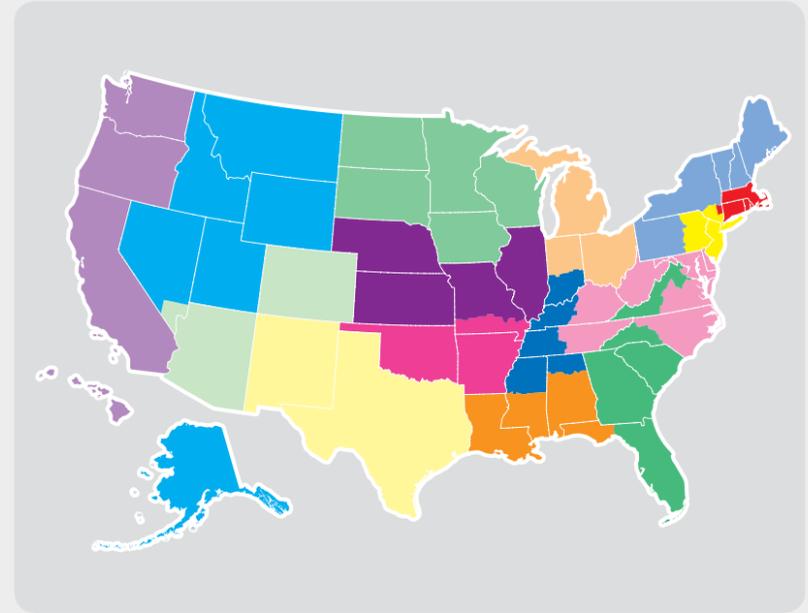


OPERATIONS SUPPORT SunLync

> Through SunLync, JK's fully integrated business software, we can save you time and money - whether you have one salon or one thousand. With SunLync you gain an operations manager, a security guard and an equipment maintenance supervisor all in one.

STRONG REGIONAL SUPPORT The JK Distribution Network

> We understand the unique service issues that are important to running a successful salon. JK North America, with its exclusive distribution network, offers unparalleled support on a local basis. You can feel confident when calling on us -- a trusted and experienced partner that's ready to assist you promptly and courteously with any service, consulting or sales need you may have.



PREMIERE EQUIPMENT Ergoline, Soltron, Sundash

> JK holds more patents than any other tanning bed manufacturer and every single product is held to impossibly high standards. We offer brands for every market and target group, all uniquely different, but all having the JK quality, design and performance in common.

You can feel confident that JK equipment will give your business that competitive edge.



INDUSTRY SUPPORT Trade Shows and Seminars

> JK North America and its distribution network are committed to supporting the tanning industry in every way possible. We are raising the bar with professional symposiums and industry events where salon owners can network and learn new strategies to increase profits.



Global Sunlight: Tanning Lamps for Every Body

Maintaining a consistent and diverse inventory of more than 500,000 tanning lamps and related components, Global Sunlight (GSL) is recognized worldwide as one of the industry's premiere suppliers of tanning lamps.

GSL owns and operates a 30,000 square foot, state-of-the-art distribution and warehouse facility, centrally located in the heart of the U.S. products distribution hub – only one hour from FedEx's worldwide shipping headquarters.

In addition, GSL is supported in Germany by JK-Licht and their 85,000 square foot product warehouse. The combined, worldwide buying power and resources of the two companies allows GSL to offer a tremendous selection on products at prices that are extremely competitive.

GSL services thousands of customers year round with fast, friendly, personal and efficient service from industry professionals.

Home of the Legendary Genesis Tanning Lamp

GSL stocks an extensive inventory of tanning lamps designed to work effectively in almost every tanning system manufactured. Low-Pressure, High-Pressure, R-UVA, VHO and VHR tanning lamps—in either Bi-pin or RDC fittings—and in a variety of sizes, wattage and output ranges. Brand names include Genesis, Light Sources, Cosmedico, Philips, Wolff, Interlectric, Light Tech, Voltarc, Navara and Heraeus.

Equipment sanitizers and cleaners from Sundash and Lucas, Super Sunnies, head cushions, salon signage and a variety of lotion products including Bermuda Gold are also available through GSL.

"In addition to providing the right lamps for your tanning system, we also maintain Letters of Compatibility and FDA documentation" states Tim Allison, Sales Manager for GSL.

"When you call Global Sunlight you deal with real people who are experts who specialize in the field of lamp replacement" states John Aycock, Vice President of GSL.

"We realize that in addition to the new tanning systems sold every year, there are many in use that were built in the 1990s and 1980s.

It is our job to maintain lamp stock for almost every tanning system ever built."

Innovative, Shipping-Friendly Packaging System

GSL is well aware of the proper care required to ship and deliver the fragile cargo of tanning lamps. In response to the needs of their customers, GSL pioneered the creation of a unique, custom-made shipping carton designed specifically for tanning lamps. GSL's Tri-Pack shipping cartons provide maximum protection and support and have greatly reduced damage caused by improper handling.

"Our customers love it, the shipping companies love it—and so do we!" exclaims Andy Flannigan, head of Shipping and Receiving at GSL and part of the Tri-Pack design team. "At GSL we are always researching new and better methods of packaging and shipping to help protect 'your' investment" adds Flannigan.

The GSL Sales Team is ready to provide the lamps you need with the highest level of professional service. "Whether you're looking for a case of lamps or a truckload order, every customer should expect honest answers and superior product knowledge" says Wendell Ashabranner, Product Specialist for GSL. "I find it very rewarding to work with the salons and help them upgrade their beds with the newest lamp technology on the market. I also find it somewhat amazing that customers will thank me just for doing my job when their bed tans better because of our lamps" he continues.

RUSH DELIVERY SERVICE is available and GSL welcomes all major credit cards and company checks. Call today. 1-877-SUNLAMP. Please visit our web site www.globalsunlight.com.

SunLync is today's software choice for many high profile salons and salon chains.



Software Solutions

As the sun business expands, successful tanning salons will often accumulate several hundred customers each day during the busiest months of the year.

It is quite common for established salons to have active databases of more than 5,000 customers. In order to dominate a target market and expand their profit potential, many entrepreneurs own and operate multiple locations that often cover a wide geographic area.

To maximize profit, streamline operations, maintain customer profiles and document all salon activities, salons require advanced software that provides a diverse range of salon specific services—while also being extremely user-friendly and easy to operate.

SunLync software was designed and developed by a team of programming experts who utilizes the direct input of a diverse group of tanning industry veterans to create the ultimate software program and support system.

On location, beta-site testing in actual working salon environments provides real world conditions for product development. Salon owners, managers and even salon customers provided unbiased opinions and valuable input during each phase of development.

After many years of extensive field testing and a controlled launch into one of the most extreme working environments in the industry—SunLync is today's software choice for many high profile salons and salon chains.

NEW HORIZONS In addition, the recent acquisition and subsequent upgrading of the Breeze Software System now provides single location salon owners with viable software solutions—all supported by the SunLync team.

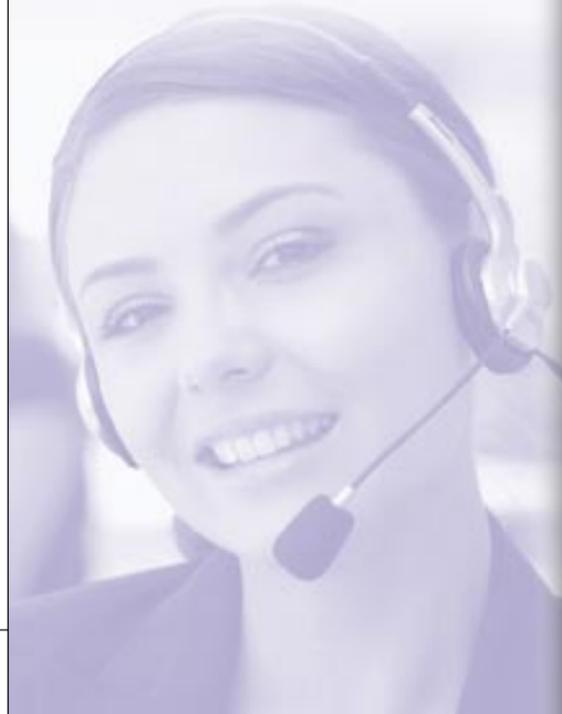


SunLync's Highlights, Features and Benefits

- Wide Area Networking allows salon owners to control and monitor salon operations from virtually any remote location utilizing true client-server technology.
- Real time data updates provide up to the minute information on salon activities.
- Virtually unlimited salon location and workstation networking and control.
- Fully integrated EFT program, provides automatic proration, extensive freeze options and automatic posting of NSF fees, etc.
- On-site training and dedicated after sale support team.

"Put concisely, SunLync allows you to reduce non-value-added activities while maximizing your business potential" stated Gary Strong, manager of Sales and Marketing for SunLync.

DIRECT LYNC For more information and to arrange a demonstration of SunLync call 1-866-786-5962 or visit www.sunlync.com.



At Sun Ergoline, true Global Service begins long before your tanning equipment is delivered and installed—and it continues faithfully and unabated via the industry's most experienced network of service plus support professionals.



Training Days

Throughout the year, Global Service conducts equipment service training seminars at Sun Ergoline's headquarters in Jonesboro, Arkansas.

Here, authorized field service personnel receive thorough, hands-on training on the proper methods and personnel for performing equipment service and maintenance.

The two to three day classes also provide an opportunity for field service technicians to share experiences and gain valuable insights on how to maintain equipment at peak performance levels.

Part of the System

Naturally, Global Service maintains a vast inventory of parts and components for the complete line of Sun Ergoline equipment.

Stock items include:

- Ballasts (choke and magnetic)
- Parts
- Acrylics
- Timers
- Starters
- Relays
- Pistons/Cylinders
- Lamp Sockets

To keep salon operations and equipment running smoothly, salon owners should also maintain a basic inventory of important parts and key components.

YOUR GLOBAL SERVICE REPRESENTATIVE is ready to discuss all your requirements and service related questions at 1-800-643-0086.

JK Capital was formed to meet the growing needs of Sun Ergoline's expanding customer base. Recognizing the fact that equipment financing choices are some-times limited and restrictive, especially for business start-ups and those with a limited business history, Sun Ergoline took the initiative and pro-actively addressed the situation.

Since its inception in 2002, JK Capital has provided equipment financing, in the form of leasing, for commercial indoor tanning locations throughout the United States.

"Our equipment leasing programs offer several advantages over bank financing that many salon owners find attractive and well suited to their needs," says John Deacon, Executive Director of JK Capital.

In most leasing situations, the customer's good credit and the value of the equipment are used to collateralize the deal, whereas banks often require additional security, often in the form of a large down payment, a property lien or the pledging of bonds or other negotiable instruments, to approve the loan.

Leasing basically provides leverage. That is, the customer may secure the use



of a specific dollar amount of tanning equipment for a set period of time – via a down payment that is just a portion of the actual selling price. With leasing, both the down payment and subsequent monthly payments may be completely tax deductible, thus offering several tax saving advantages over other forms of equipment financing.

The terms of a typical lease usually range from 24 to 60 months. The actual monthly payment can vary according to the lease rate and the amount of the down payment. These factors may be influenced by the quality of the customer's credit history and overall financial strength.

There are also several leasing options that provide additional advantages and may impact the actual monthly payment for the use of the equipment.

For example, at the end of the lease term, the customer may have chosen to actually purchase the equipment via a pre-determined "residual buy-out" amount. In other cases, the customer may have elected to return the equipment to the company, with the possibility of leasing new equipment. All options are discussed, detailed and agreed upon at the time of the initial agreement.

Leasing may provide customers with the ability to feature the equipment that they truly desire to use in their salon – and with monthly payments that fit their budget.

The experienced staff at JK Capital is ready to get started on a lease application and discuss equipment leasing options. Please contact a Sun Ergoline representative by calling 1-800-643-0086.

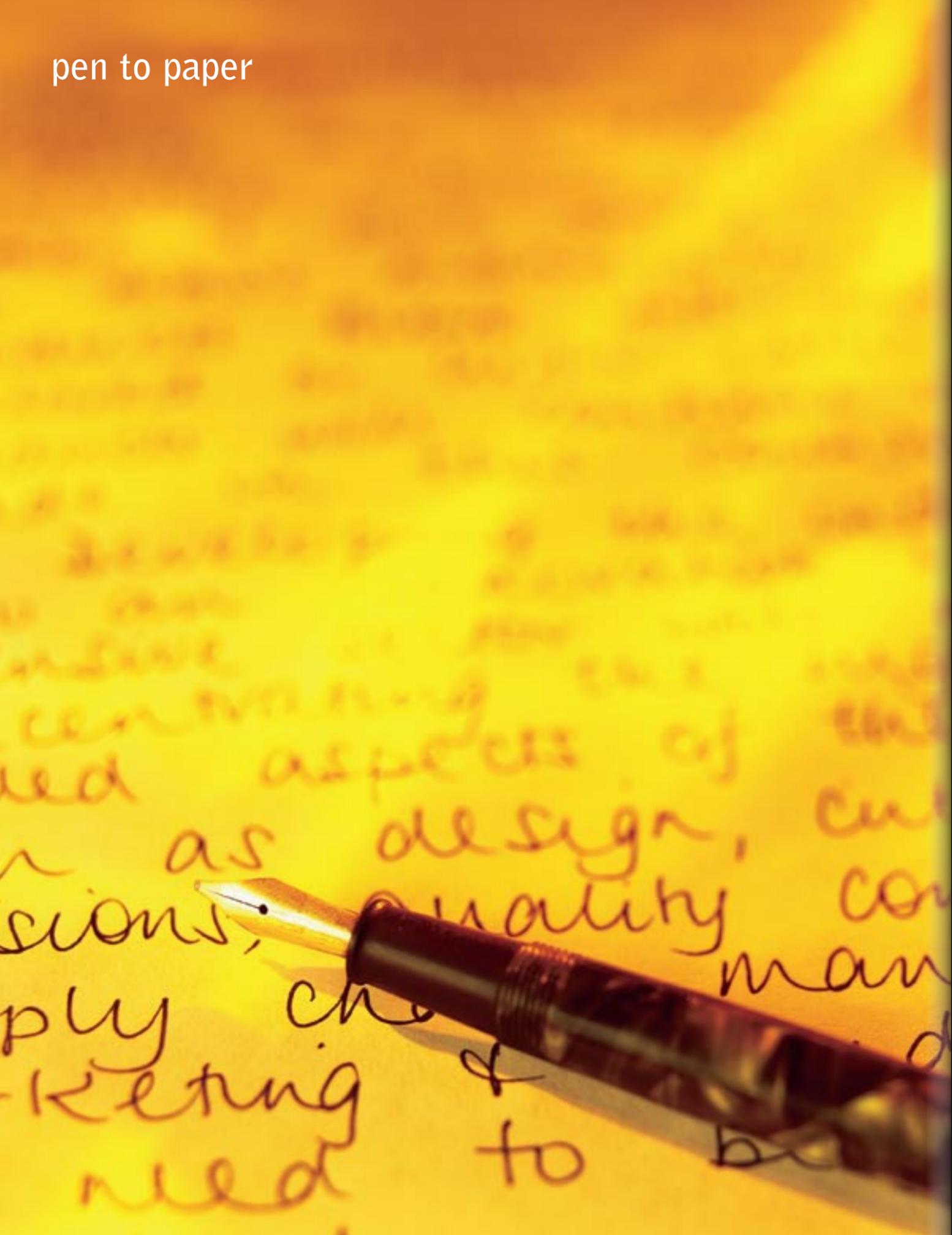
Communicating directly with you, the salon owner, and your key contacts, the people of Global Service discuss and explain each phase of salon development from electrical requirements and air conditioning needs to room sizes and design.

After your Sun Ergoline equipment is installed, Global Service Personnel guide you and your staff through the features and proper usage of each tanning system.

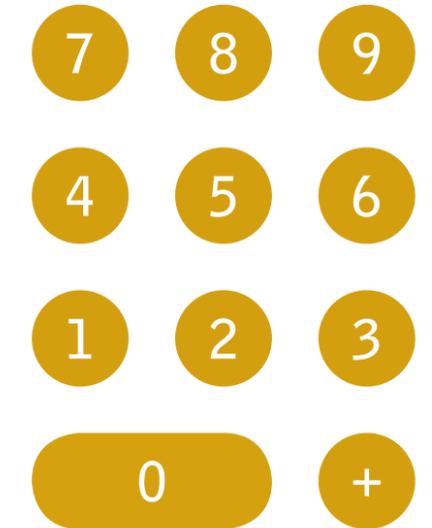
Then, as salon operation progress, they are available to help diagnose any equipment concerns and offer trouble solving tips to keep your equipment operating at peak performance levels.

MORE THAN Just Salons

Note: This is not to be considered an offer to extend or approve credit. This does not represent a guarantee of income, market conditions, merchantability, performance, etc. Leasing is available to qualified customers with approved credit, etc. Actual rates, terms and conditions will vary. Always consult with a tax professional to discuss tax laws and your individual tax liabilities.



calculating success



SALON OPERATIONS

- Demographics
- Return-On-Investment
- Location Profile
- Equipment Profile
- Salon Layout and Design

A Demographic Profile of the People Who Tan Indoors

Based on Sun Ergoline's extensive study of the customer databases of more than 3,000 tanning salons, combined with surveys of more than 50,000 individual salon customers, we have developed a detailed demographic profile of the indoor tanning population.

According to our study, 70.7% of the people who tan indoors are female and 29.3% are male. Females 20-39 represent 52.4% of all people who tan indoors. 94.9% of all indoor tanners are under the age of 50.

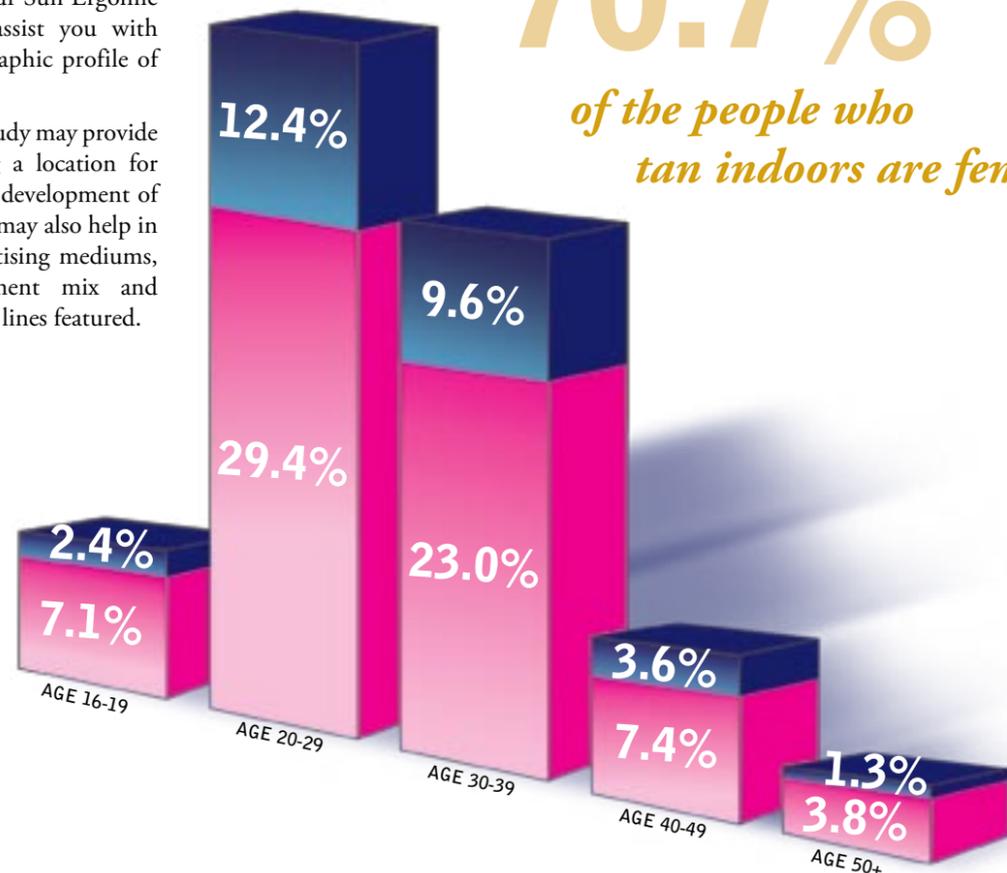
While this study provides an overall view of the industry, it is important to note that results in individual markets will vary. Your Sun Ergoline representative will assist you with conducting a demographic profile of your target market.

The results of your study may provide guidance in choosing a location for your salon and in the development of your business plan. It may also help in the selection of advertising mediums, salon décor, equipment mix and product and accessory lines featured.

A LOOK AT WHO'S TANNING

1	Females 20-29	29.4%
2	Females 30-39	23.0%
3	Males 20-29	12.4%
4	Males 30-39	9.6%
5	Females 40-49	7.4%
6	Females 16-19	7.1%
7	Females 50+	3.8%
8	Males 40-49	3.6%
9	Males 16-19	2.4%
10	Males 50+	1.3%

70.7%
of the people who
tan indoors are female

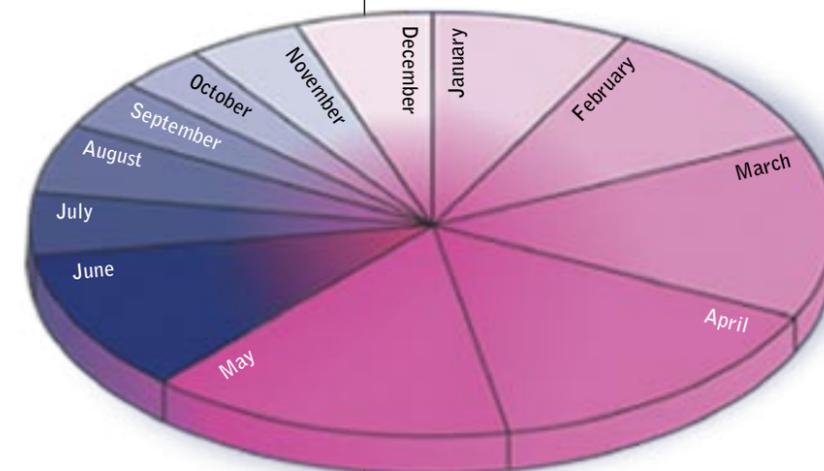


Seasonality and Traffic Flow Study

In the early 1980s, the indoor tanning season lasted all of two to three months. Slowly, as the level of consumer awareness grew and more tanning locations opened, the tanning season extended further into the calendar year. Today's successful salons do a robust business from January to June – and many report steady traffic through August.

Creative selling techniques, innovative marketing strategies, dramatically designed tanning systems and captivating salon environments have combined to make indoor tanning an enjoyable, year-round lifestyle activity for millions of people throughout the world.

The Seasonality and Traffic Flow Study is designed to provide an overview of the business fluctuations that may occur in the salon environment. It is intended to be used for comparison purposes only.



PERCENTAGE OF ANNUAL CAPACITY USED

January	7.8%
February	10.9%
March	12.7%
April	14.9%
May	14.7%
June	11.1%
July	6.0%
August	6.1%
September	3.0%
October	3.2%
November	4.2%
December	5.4%

Today's successful salons do a robust business from January to June.

FOR MORE INFORMATION ON THIS STUDY and its relationship to maximum operating capacity, actual operating capacity, cash flow, income projections, etc., contact your Sun Ergoline representative.



Break-Even and Return- On-Investment Analysis



This valuable service can help you answer many questions regarding your potential or existing business location including:

1. How many people you must tan to achieve profitability.
2. How to calculate and determine fixed costs including utilities, insurance, labor, etc.
3. How to effectively price your tanning sessions and packages
4. How to determine the operating cost of each tanning session with regard to lamp usage, electrical consumption and general equipment maintenance.

Business and Location Profiles

While operating a tanning salon is usually profitable, it is not always easy. As a current or potential owner you don't have the time or money to waste on trial and error or guesswork.

What separates Sun Ergoline from the rest of the competition is that we are always poised to help you improve and grow your business. Our expert representatives have studied and other valuable information gleaned from years of experience so you won't make costly mistakes.

However, in order to help you get started or improve your bottom line

we need to know more about you and your salon. Please fill in these workbook forms and send them to the following address so that we can get started on a brighter future for you!

Sun Ergoline, Inc.
1 Walter Kratz Drive
Jonesboro, AR 72401

Or call 1-800-643-0086 and a Sun Ergoline representative will help you in the development of your business model.



CUSTOMER AND BUSINESS INFORMATION

Name/Proposed Name of Business _____

Name of Owner(s) _____

Name of Manager/Key Contact _____

Date of Opening or Expansion _____

Today's Date _____

Address of Business (street, city, state, zip) _____

Business Phone _____

Business Fax _____

Cell Phone Number(s) _____

E-Mail _____

Web Site _____

BUSINESS AND EQUIPMENT FINANCING

Do you intend to finance your build-out and equipment costs?
 Yes No

Would you like information on leasing tanning equipment through JK Capital?
 Yes No

Will you require assistance with business plan development?
 Yes No

Break-Even and Return-on-Investment Data Sheet

In order to establish an effective Session & Package Pricing Strategy, you will need to have a clear understanding of the day-to-day expenses related to salon operations. Estimate where necessary and always to the high side.

If you are unsure of an amount, simply place a "?" in the space provided. Your Sun Ergoline representative will discuss a calculation with you based on national averages.



BASIC MONTHLY EXPENSES

Rent/Mortgage _____

Full-Time Labor _____

Part-Time Labor _____

Loan Payments _____

Lease Payments _____

Telephone _____

Advertising _____

Insurance (Business) _____

Insurance (Professional Liability) _____

Basic Electric _____

Note: Electrical costs to operate tanning equipment will be calculated by Sun Ergoline. Please estimate costs only for general lighting, air conditioning, etc.

Water _____

Sanitation _____

Miscellaneous, other (list all) _____

SALON OPERATIONS HOURS OF OPERATION

Monday _____

Tuesday _____

Wednesday _____

Thursday _____

Friday _____

Saturday _____

Sunday _____

Days Open Per Month _____

COMPUTERS AND SOFTWARE

Will salon operations be computerized?

Yes No

If Yes, which software do you intend to use:

SunLync

Breeze

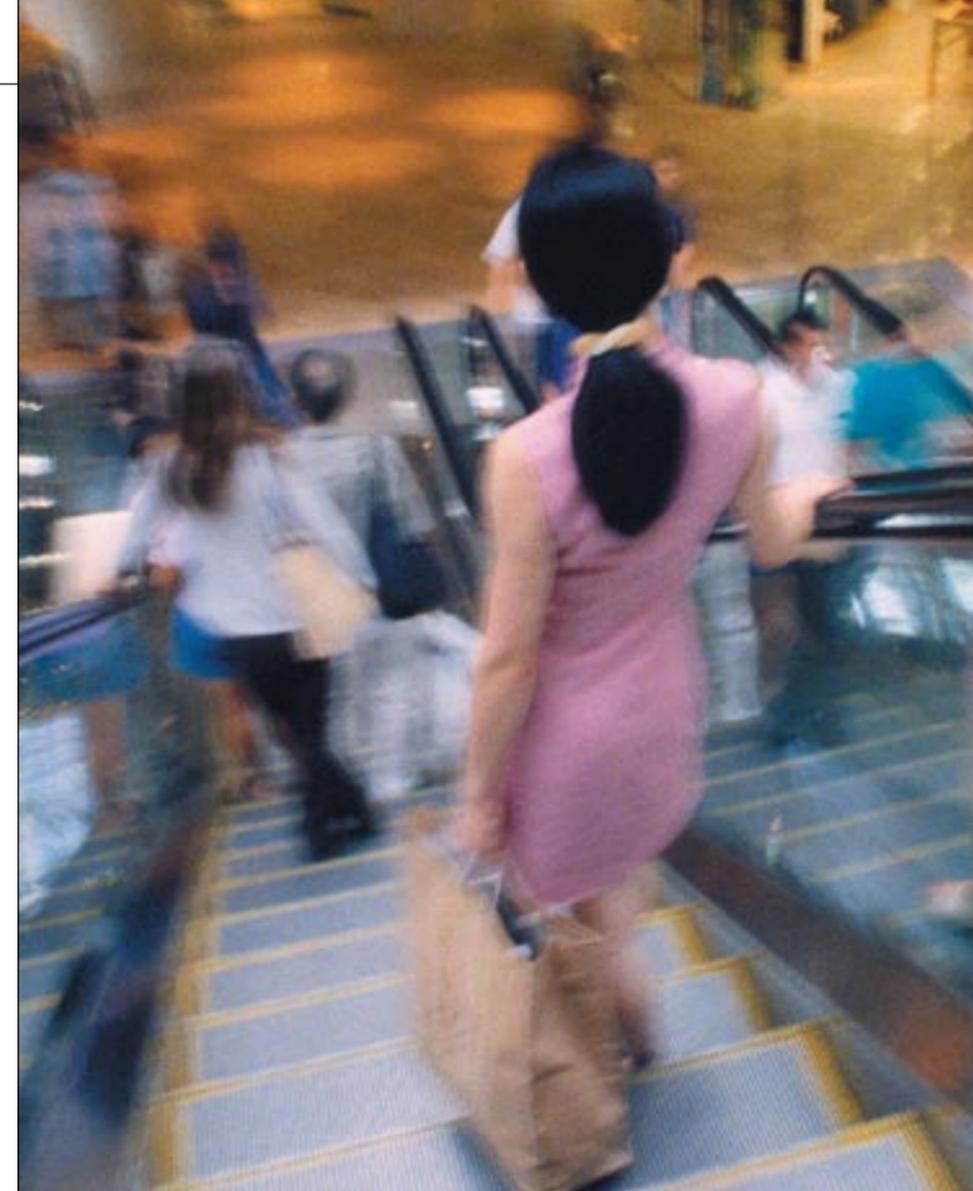
Other _____

Physical Location Profile

Please indicate the type of building in which the salon and/or indoor tanning equipment will be physically located. Check all that apply.

- Strip Mall
- Freestanding Building
- Enclosed Mall
- First Floor
- 2nd Floor or Higher
- Basement
- Other _____

If location is in a mall type environment, please list the name of the major tenant(s)



PLEASE COMPLETE TO THE BEST OF YOUR ABILITY, ESTIMATE WHERE NECESSARY

Size of business in square feet _____

Electrical service currently available, in amps _____

Actual amount you will need, in amps _____

Air conditioning available, in BTUs or tons _____

Actual amount you will need, in BTUs or tons _____

Type of bathroom facilities available?

Men Women Unisex

If required, do bathrooms, hallways, entrance ways, etc., comply with handicap access codes?

Yes No

Number of parking spaces available, if applicable _____

Does the location offer good visibility from the street?

Yes No

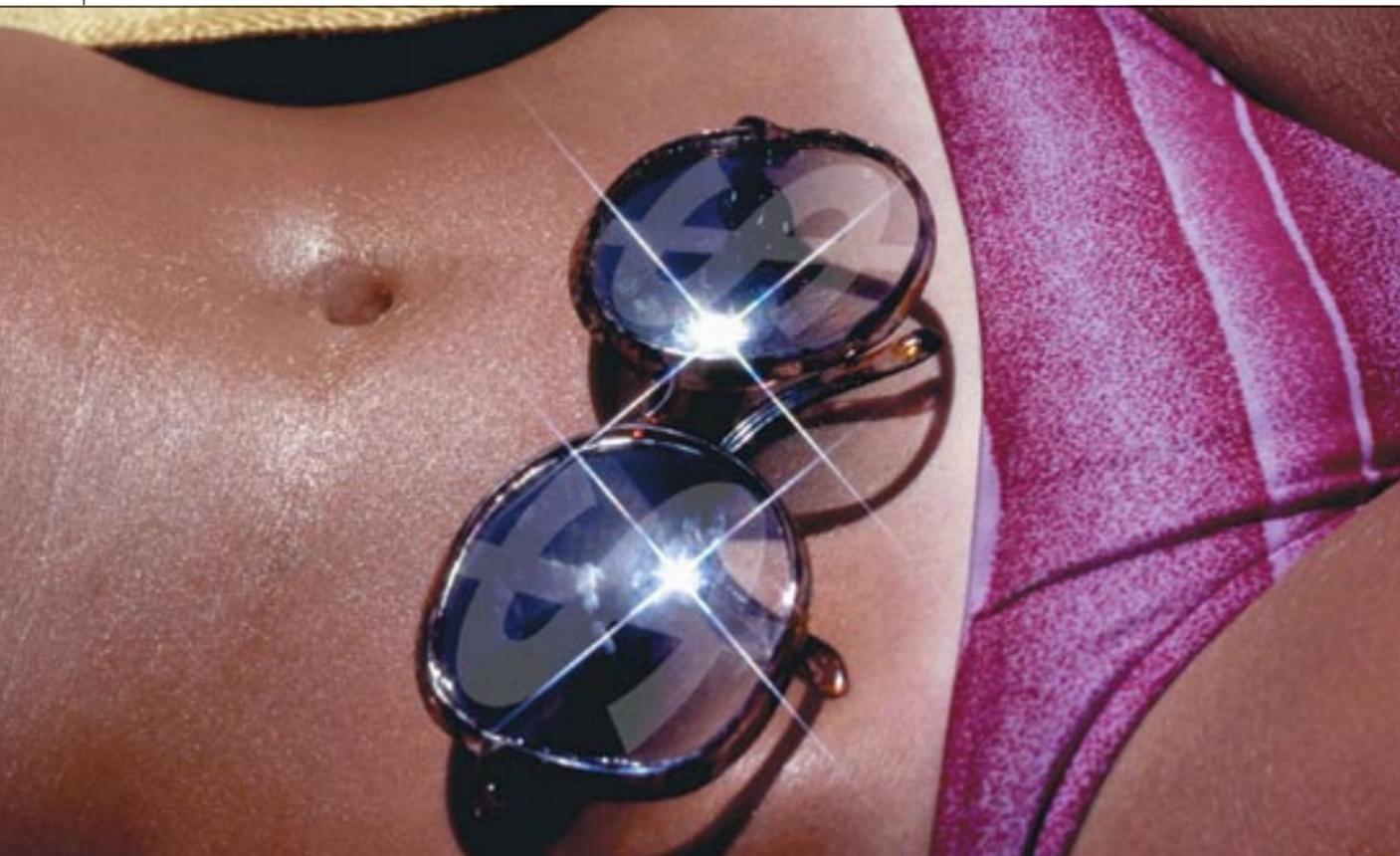
Do you plan to include a washer and dryer?

Yes No

Profit Center Profile

If tanning units will be used as a profit center in conjunction with another business, please list accordingly. Check all to the right that apply.

- | | | |
|--|--------------------------------------|--|
| <input type="checkbox"/> Beauty Salon | <input type="checkbox"/> Day Spa | <input type="checkbox"/> Laundromat |
| <input type="checkbox"/> Video Store | <input type="checkbox"/> Hotel/Motel | <input type="checkbox"/> Bridal/Tux |
| <input type="checkbox"/> Health Club/Gym | <input type="checkbox"/> Nail Salon | <input type="checkbox"/> Convenience Store |
| <input type="checkbox"/> Other | | |



Please indicate and name which of the following are located within the immediate vicinity of your salon. A one mile radius is sufficient.

Major Retailers, please list & name:

Colleges & Schools, please list & name:

Please list other businesses located in the immediate vicinity. Check all that apply. If any of the businesses also offer indoor tanning, please write a "T" next to the check mark.

- | | | |
|--|--------------------------------------|--|
| <input type="checkbox"/> Dry Cleaner | <input type="checkbox"/> Video Store | <input type="checkbox"/> Day Care Center |
| <input type="checkbox"/> Convenience Store | <input type="checkbox"/> Bridal/Tux | <input type="checkbox"/> Coffee Shop |
| <input type="checkbox"/> Laundromat | <input type="checkbox"/> Hotel/Motel | <input type="checkbox"/> Restaurant(s) |
| <input type="checkbox"/> Health Club | <input type="checkbox"/> Nail Salon | <input type="checkbox"/> Travel Agency |
| <input type="checkbox"/> Beauty Salon | <input type="checkbox"/> Day Spa | <input type="checkbox"/> Tanning Salons |
| <input type="checkbox"/> Other | | <input type="checkbox"/> Bowling Alley |

Additional Products and Services

LOTION LINES

Please list the lotion lines you plan to offer. Check all that apply.

- California Tan
- John Abaté International
- Supre
- Designer Skin
- Body Invest
- Other(s)

please name:

ACCESSORY ITEMS

Please list the accessory items you plan to offer. Check all that apply.

- Sunglasses
- Vitamin & Nutritional Supplements
- Diet & Weight Loss Products
- Shower / Bath Products
- Bottled Water / Soft Drinks
- Gourmet Coffee
- Juice Bar / Smoothies
- Unique Gifts
- Other(s)

please name:

SUNLESS TANNING

Do you plan to offer Sunless Tanning?

- Yes No

If yes, which brand do you intend to feature:



Equipment Profile

PLEASE LIST THE TYPE OF EQUIPMENT AND THE CORRESPONDING NUMBER OF TANNING SYSTEMS YOU PLAN TO FEATURE OR CURRENTLY OFFER.

Ergoline



PRESTIGE 1100
Mystic Black
of units _____



PRESTIGE 990
Fashionpink Orange
of units _____



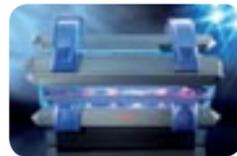
PRESTIGE 990
Silverpearl Blue
of units _____



ESPRIT 770
Ice Blue
of units _____



ESPRIT 770
Silverpearl Red
of units _____



OPEN SUN 1050
Sterling Blue Silver
of units _____



OPEN SUN 550
Magenta Silver
of units _____



OPEN SUN 550
Blue Silver
of units _____



AFFINITY 950
Magenta units _____
Yellow units _____
Blue units _____
Red units _____



AFFINITY 800
Magenta units _____
Yellow units _____
Blue units _____
Red units _____



AFFINITY 600
Magenta units _____
Yellow units _____
Blue units _____
Red units _____



AFFINITY 500
Magenta units _____
Yellow units _____
Blue units _____
Red units _____



INSPIRATION 450
Sky Blue
of units _____



INSPIRATION 400
Solid Silver
of units _____



ADVANTAGE 400
Ruby Champagne
of units _____



ADVANTAGE 350
Sunny Gold
of units _____



AMBITION 300
Racy Red Blue units _____
Midnight Black units _____



AMBITION 250
Racy Red units _____
Midnight Black units _____



AMBITION 200
Racy Red units _____
Midnight Black units _____



VERTICAL
Allum. w/lifestyle print
of units _____



SUNRISE
Solar White / Slate Gray
of units _____

Other(s), please list: _____

SUN | DASH



332 PRO-1
White units _____
Black units _____



332 PRO
White units _____
Black units _____



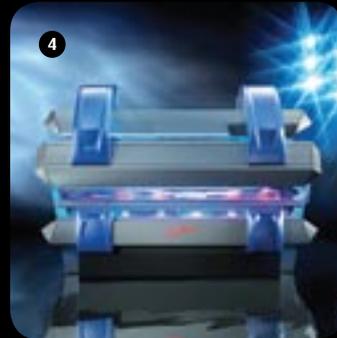
RADIUS 252
of units _____



DRESSING ROOM
of units _____

Other(s), please list: _____

PROFITABLE PORTFOLIO!



Powerful. Desirable. Profitable. Ergoline is synonymous with tanning power. Innovative, efficient and powerful UV technologies ensure an especially deep tan. Combined with Ergoline's world-class designs, these trend-setting sunbeds create the desire to tan. With their available luxury and comfort features, first-class materials, meticulous craftsmanship and exceptional durability, choosing Ergoline tanning units will give you that competitive edge.

ERGOLINE PROFESSIONAL SUNBEDS

- 1 Prestige 1100
- 2 Prestige 990
- 3 Esprit 770
- 4 Open Sun 1050
- 5 Affinity 800
- 6 Advantage 400
- 7 Ambition 250
- 8 Sunrise 488

CALL TOLL-FREE **1.888.771.0996**

ERGOLINE, A Division of JK Products & Services, Inc.
www.sunergoline.com • ergoline@sunergoline.com

Ergoline