

Published: October 10, 2005
Edition: METRO
Section: BUSINESS INSIDER
Page#: 1D

Star Tribune: Newspaper of the Twin Cities (Minneapolis, MN)

Styling a small empire

Kyle Simonson became a business owner when her then-husband bought a hair salon. Now she owns four successful spas.

By Larry Werner
Staff Writer

She had been married only a few months when her husband, a hairstylist, called to say he had bought a defunct salon for \$10,000. That was a lot of money for a 23-year-old secretary and a husband who knew more about hair than he did about business.



But Kyle Simonson and her husband, Rod, found someone to co-sign for the start-up capital that launched what has become a fast-growing business with \$10 million in annual revenue. However, the husband is long gone from the operation of Simonson's Salon & Day Spa, which Kyle Simonson built into a four-store chain, even though she had no formal business education or even a college degree.

She isn't even a hairstylist.

"Of all the years we've been in business, we were not profitable only one year," Simonson said in the office of her newest salon and spa in Plymouth. That money-losing year was 1991 - the year her marriage began to fall apart. In the 1994 divorce settlement, she bought out her husband's interest by assuming \$60,000 in debts.

Since then, Simonson has expanded stores and opened new ones in the northwestern suburbs of Minneapolis with the help of friendly independent bankers and burgeoning sales.

Among the secrets to her success, she said, was recognizing trends, such as the growth occurring in places such as Maple Grove and Elk River, and the desire of salon customers for services such as skin care and massage in addition to hairstyling and manicures.

"The spa business has gone crazy," Simonson said. "Recognizing that early on sort of set the foundation for everything after that. I subscribe to a lot of trend periodicals. They became my college."

She didn't attend a conventional college after graduation from St. Louis Park High School because her mother, who had been divorced, couldn't afford to send her. She did study broadcasting briefly at Brown Institute. After learning that getting to the top of broadcast news might require her to work "in some podunk town somewhere," she got married and worked as a secretary for a finance company.

About the time her husband announced he had bought a hair salon, Simonson was laid off by the finance company and got licensed in esthiology at a trade school. In addition to providing skin care at the Anoka salon, she began to take over some of the administrative chores at her husband's business, which had annual revenue of \$122,000 in its first full year of 1984.

She found she had a knack for business.

"As I became immersed in the business with him, helping him with some of the finer details that he was either not savvy in or cared to do - like paying bills - I said, 'There's a really big opportunity here,'" Simonson said. "The spa business was really developing."

Her husband still was in charge, however, and the two didn't agree on how the business should be run. Despite their differences, the Anoka salon moved into larger quarters and grew to \$344,000 by 1990. In the recession year of 1991, sales were cut in half as the business and personal relationship of the Simonsons deteriorated.

"Those were desperate times," she said. "It becomes a challenging situation when you've got somebody you're at odds with both personally and in your business practices. Your personal relationship has now gone to hell. Your business is going to hell. But for my kind of personality, that just gives you a lot of incentive to fix it."

After the divorce, she standardized training and added services in Anoka and opened a store in Maple Grove with a Small Business Administration loan. She decided that was the place to be after analyzing ZIP codes from customers and finding that many women were driving to her Anoka store from Maple Grove. She drove around in that community until she found space in a strip center near cornfields that have been replaced by expensive housing.

She followed a similar hunch when she saw housing developments springing up in nearby Elk River. Simonson opened that store with the help of a local independent banker, whose loan was paid back ahead of schedule from revenue that had grown to almost \$5 million by 2001. While getting a pedicure at her Maple Grove store in 2002, she was reading about the affluence of Plymouth and decided right there that the demographics of that northwest suburb were "too enticing to ignore." She financed the opening in Plymouth out of cash flow.

She gets high marks from her landlord, Gary Janisch, a partner in HJ Development Inc. "Kyle's clientele, along with her employees, [are] a great asset at each one of our locations," Janisch said. He added that his company developed its Elk River property specifically with her in mind as a tenant after she brought the area's fast growth to his attention.

Along the way, she has been urged to digress from her northwest-suburban strategy to open stores elsewhere. She said the operators of the Minneapolis Hilton offered her \$350,000 to open a spa downtown, but she decided to stick to her suburban knitting.

"I think it's another animal if you move into the urban areas," she said. "I know people who have not been successful going downtown."

For now, she has no plans to add more stores. She thinks the revenue streams of hairstyling, skin care, manicures, pedicures and massage allow her to build revenue from \$10 million to \$20 million without adding additional locations.

"I think we should be able to squeeze \$5 million out of each one of these stores," she said.

It's also time to stop working 80-hour weeks so she can spend more time with her teenage daughter. And it's time to enjoy the financial fruits of her labor after years of doing without and plowing profits into expansion.

"Until 1997, many people made more than I did in this company," she said. "I lived very modestly to support the dream."

Her management philosophy, she said, is based on asking three questions: "Is it good for the team? Is it good for the guests? Is it good for the company? If I can say yes to all three, then we go for it."

The expert's opinion: Hannelore Leavy, executive director of the national Day Spa Association in Union City, N.J., said Simonson has built "one of the most successful day-spa enterprises in the industry."

Leavy said Simonson has become a leader in the spa business by "doing all the right things," including: "keeping up with consumer trends, seizing opportunities, putting in proper training, procedures and benefits for her staff" and "realizing early that she needed to give up being an aesthetician and run a business instead."

Simonson's Salon & Day Spas

Business: Provides hairstyling, manicures, pedicures, massage and skin care.

Founded: 1983

Locations: Anoka, Maple Grove, Elk River, Plymouth

Website: www.simonsons.com

Executive: Owner and CEO Kyle Simonson

Employees: 220

2004 revenue: \$9.4 million, headed for \$10.3 million in 2005