REGIS TO LAYOFF IN THE FUTURE?

REGIS SALONS Few people outside of the beauty industry are familiar with the name Regis. For those of us who don't spend a lot of time worrying about salon ownership here is the short version. The Regis Company claims to be the "world's largest salon owner, operator and franchisor" and with $100 million in costs to cut in order to get back to fiscal solvency they just may be right. The company is big, but the odds are that they are about to get a lot smaller, at least in the non-salon positions, such as the corporate offices and the warehouse. The suspicions that these cuts are coming in the near future come from a new appointment to the Regis board of directors. Well, actually three new appointments. The big news is Jeffrey Smith, the CEO of Starboard Value. He and two of the candidates that his company recruited for the job were added to the board of directors for Regis last week. For those of you not familiar with the company Starboard Value is a relatively new player in the world of finance. They were created in March of this year, through a spin-off transaction of Ramius LLC, which is the investment management subsidiary of the Cowen Group. Starboard Value lists its mission this way, they, "invests in deeply undervalued small cap companies and actively engages with management teams and boards of directors to identify and execute on opportunities to unlock value for the benefit of all shareholders." Starboard Value bought a share of the finically flagging Regis over the summer. As a matter of fact, it is Starboard Value that came up with the $100 million that Regis needs to cut in order to stay fiscally solid. They also said the company lacked a clear focus in its organization and has become bloated. So, you can see how these new appointments, plus some serious debt can make it very hard to believe that a round of layoffs are not just around the corner. Regis's Situation While, for the current moment the Regis salons are the biggest salon chain, with a health cash flow, all has not been well for the chain. The company has experienced an increase in its operating expenses and a decrease in profit. This is due to the fact that costs for supplies are rising while the number of sales that the salons have done is growing smaller. Far from short term, this has been happening for over a year. The specifics go some thing like this. In the 2011 fiscal year the administrative and general expenses were up to a total of $310 million. This represented about 13 percent of companies overall revenue for the year. 45 percent of that money went to pay for corporate overhead. While Regis has already made a commitment to trim between $40 million and $50 million from their budget over the next two years, the incoming CEO Randy Pearce has already told investors, in an address at the company's annual meeting , that Regis will have to find more ways to save cash.