

When to Pull the Plug

A Sunk-Cost Framework for Giving Up on Underperforming Equipment

EVERY SALON has one. The unit that looked like the future at the trade show three years ago and now runs four sessions a week, kept alive by a handful of loyal users and the memory of what you paid for it.

That memory is the problem. The purchase price is a sunk cost: it's gone whether the unit stays or goes, and it has no place in the decision about what happens next. Owners know this in the abstract. In practice, the more a machine cost, the longer it survives underperformance, which is exactly backward. The only question that matters is forward-looking: is this the most profitable thing that could be occupying that room for the next twelve months?

RUN THE ROOM, NOT THE MACHINE

Most owners evaluate equipment by asking whether it's "making money." ***Wrong test.*** Nearly anything plugged in and priced above its consumables makes some money.

The right test is contribution per square foot, measured against the alternatives.

Start with the room's monthly contribution margin—session revenue plus any membership revenue you can honestly attribute to that service, minus consumables, maintenance, utilities, and the labor minutes it actually eats (setup, cleaning, client walk-throughs). Divide by the room's square footage. Now compare that figure to two benchmarks: your house average per square foot, and the projected contribution of the best realistic replacement.

The gap between the incumbent and the replacement is your opportunity cost, and it compounds monthly. A 120-square-foot room clearing $450 a month next to a house average of $11 per square foot isn't "still profitable." It's costing you roughly $870 a month in output that space should be producing—over $10,000 a year, invisible on any P&L.

THE NUMBER THAT FALLS WHILE YOU WAIT

There's a second clock running: salvage value. Used wellness equipment depreciates on the secondary market every quarter you hesitate, and it depreciates fastest for exactly the categories that are underperforming everywhere, because your competitors are listing theirs too. The unit you could sell for $8,000 today may bring $5,000 next spring. Waiting isn't neutral; it's a monthly fee you pay to avoid a decision.

So fold salvage into the math honestly. Resale proceeds plus twelve months of the replacement's projected margin, minus removal and buildout, versus twelve months of the incumbent's margin. If the first number wins by a meaningful margin, the room has told you its answer.

ONE REVIVAL, WITH A DEADLINE

The standard objections—"it'll pick up in winter," "we've never really marketed it"—are sometimes true, which is what makes them dangerous. They can justify indefinite delay because they're never tested.

So test them. Once. Give the service a defined revival window—sixty to ninety days—with a real promotional push, staff incentives on it, and a written target set before the push starts: the contribution-per-square-foot number it must hit to stay. If it hits the number, it earned the floor space. If it doesn't, the decision was already made the day you wrote the target down, and nobody has to relitigate it in the moment.

That last part matters more than the math. Kill decisions fail not because owners can't calculate opportunity cost but because the decision gets renegotiated every month by whoever loves the machine most—often the owner. A pre-committed threshold turns an emotional argument into an administrative one.

None of this is admitting a mistake. Buying equipment that made sense in 2023 and retiring it in 2026 isn't failure; it's portfolio management. The owners who struggle aren't the ones who bet on the wrong machine—everyone eventually does. They're the ones still paying rent on the bet three years after the market graded it.