



wynne|BUSINESS

Financial Benchmarking for your Spa

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Set Goals FIRST

- Financing a job for yourself/partner/friends
- Earning a modest living while waiting for your property to appreciate
- You enjoy having a LOT Of children
- Because you like to go to spas!

Defining Profitability



- Dictionary definition – yielding advantageous returns or results
- What does it mean to you?
- Do you know if your business is profitable?

What is Success?



- If you are an owner/operator, do you draw a commission or salary for your revenue producing work?
- If you are an owner/manager, do you receive a salary for your contribution in managing the business?

Financial Framework

- Chart of Accounts
- Income Statement
- Dept. specific payroll
- Isolation of treatment costs
- Outstanding gift certificates
- Ratios and benchmarks

Income Statement

- Revenue, with department detail for services and retail
- Cost of goods, with same department detail (costs related directly to sale)
- Gross margin
- Expenses
- Net Margin



Income Statement

Skin Service Sales
Massage Service Sales
Skin Retail Sales
Massage Retail Sales
Other Income
Gift Certificate Sales
TOTAL REVENUE

Skin Service Labor
Massage Service Labor
Skin Retail Comm.
Mass Retail Comm.
Skin Tx Supplies
Massage Tx Supplies
Freight and packaging
Concierge Staff
Credit Card Fees
TOTAL COGS
EXPENSES
NET MARGIN

Tracking Revenue



Recommended Retail to *Total Sales* Ratios

Day Spa

- Hair - 10-15%
- Skincare - 35-50 %
- Massage/Body 1-5%
- Nails - 5-15%
- Cosmetics - 40-100%
- Gift - 10-40%

Resort Spa

- Hair - 5-10%
- Skincare - 15-30%
- Massage/Bdy - 0-5%
- Nails - 0-10%
- Cosmetics - 25-50%
- Gift - 5-15%

Tracking Revenue – Typical Metrics



- Average ticket for spa or salon
 - $\text{Service \$} + \text{Retail \$} / \text{number of clients}$
- Average ticket for operator
- \$ per hour per station
- \$ sales per square foot
- Retention vs Request

Tracking Revenue - *cont'd*



- Utilization/Productivity rates
- Capture Rates
- Property Occupancy rates
- Hotel ADR

Tracking Expenses

- Labor – Your Largest Expense
 - Technical Staff
 - Hourly Staff
 - Management/Salaried Staff
 - Taxes & Benefits

Tracking Expenses



- Professional inventory costs, by department

- | | |
|----------------|--------|
| ■ Skincare | 5-8% |
| ■ Nails | 4% |
| ■ Massage/Body | 1 - 2% |
| ■ Makeup | 1% |
| ■ Hair | 6-7% |

Tracking Expenses

- Rent & Utilities
- Advertising & Marketing
- Contribution to burden
- Cleaning, Repairs & Maintenance
- Training & Education
- PROFIT!

Performing a Business Evaluation



- Identify under-performing areas
- Develop an action plan
- Pick a few key focus points
- Work on both revenue & expenses
- Involve the staff

Where to Start?



- Is each workstation staffed for maximum productivity?
- Do operating hours reflect demand?
- Is there an inventory management program in place?
- Is there a retail sales program in place?

Where to Start?



- Does your compensation plan drive the right behaviors?
- Are your ratios aligned with benchmarks?
- Does your menu reflect an ability to upsell and increase average tickets?
- Are your performance appraisals tied to financial behaviors?

Financial Benchmarking



THANK YOU FOR YOUR ATTENTION!

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