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# The Spa Startup Reality Check

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This presentation posted at [www.wynnebusiness.com](http://www.wynnebusiness.com)

# Who we are...

- Spa Management Educators
- Consultants to the spa industry for 15 years
- Spa Operators for 22 years: day spa and hotel spa



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Preston Wynne Spa, Saratoga, CA

# Top 5 Reasons Not to Start a Spa

- I LOVE going to spas!
- My wife/husband/ daughter/son/ wants to run a spa
- My (esthetician/massage therapist/hair stylist) is a genius!
- There are no Kombucha-based spas in (your city here)
- I just found this *amazing* Victorian house!



# Key Ingredients of a Great Spa

1. A great idea
2. A great team
3. A great deal more money than you think.



# Are you really ready to own and operate a spa?



- Spas: a hospitality business
- A lifestyle
- Prevailing employee culture is not “business like”
- Customer expectations are higher than ever
- Profit can be very elusive



# Too Much of a Good Thing?



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- Saturation is a growing reality
- Budget offerings are bringing in new clients, but siphoning old ones



**You must be different, better, special!**

# The profit-driven spa business model

- Get skin care in the service mix
- Nails are generally a loss leader
- Robust retail (see above)
- Resortlike amenities: resortlike pricing
- Non redeemed gifts = free cash flow and profit (even in some escheat states)



# “Everything-but-the-Kitchen-Sink Spa”

- Ayurveda! Botox! Colonics! Eyelash extensions! (You want it, we got it!)
- If we keep adding services, eventually we'll make some money.
- Our clients want convenient, one-stop shopping. REALLY?



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# Great Ideas are Focused.

- Grow rich in your niche! *Specialize!*
- “A little bit” medical?
- Innovation vs. complexity
- What’s your Model T service/product?



**Answer the customer question, “So What?”**

# “Synergy Spa”: expansion of an existing business or practice



- Our core competency is complemented by our new services
- This combination of services will drive compelling value for our clients
- This is a natural extension of what we already do well!



# A great spa starts with a great plan.



Strengths	Weaknesses
Opportunities	Threats

- What you will be is based on who you are now!
- Understand SWOT for the industry, your market, your venture, and for you *personally*.
- Just because “there’s nothing like it in the area” doesn’t mean you’re a visionary genius

# Whose spa is it, anyway?



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- Create a strategic vision **FIRST**, *then* design your programs, and *then* select supporting retail
- Be strategic about vendor-branded services: your competitors' menu may end up looking like yours!
- Retail mix: purely private or "Bliss" full?



# Recipe for a Real Business Plan



- The Problem (Need)
- Your Amazing Solution
- The Business Model (how do you make money?)
- Underlying Magic (Your Secret Sauce)
- Marketing and Sales Strategy
- Competitive Analysis
- Management Team
- Financial projections and key metrics
- Current Status, accomplishments to date, timeline, source and use of funds
- 20 pages, max!

From *THE ART OF THE START* by Guy Kawasaki

# Multiplying Mistakes



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Does this sound familiar?  
NUMBER OF ROOMS  
x OPERATING HOURS  
x AVG SERVICE SALE

*"We're being really conservative and cutting that in half"*

# Prime Spa Demographics



- \$100K household income or better
- Solid Boomer population
  - Be careful about college and retirement communities
  - Be realistic about impact of seasonality
- 35-55: personal spending “sweet spot”

# Staffing Success Factors



- Affordable housing
  - Commutable distance
  - Commuting costs have virtually doubled
- Educational Facilities
  - Massage Schools
  - Cosmetology Schools

# How to attract talent to a new spa



- Hourly guarantee + service commission for first 3-6 months
- Staff members enjoy being part of something exciting and new
- Use income projections to back up compensation estimates
- It's about YOU, and whether you seem like someone they'll want to follow

# Why Your Behavioral Market Research is Wrong



- “Would you be interested in a spa that...” *YES!*
- “Which spas do you currently visit on a regular basis?”
- Current behavior is the best indicator of future behavior

# Sizing up Competition

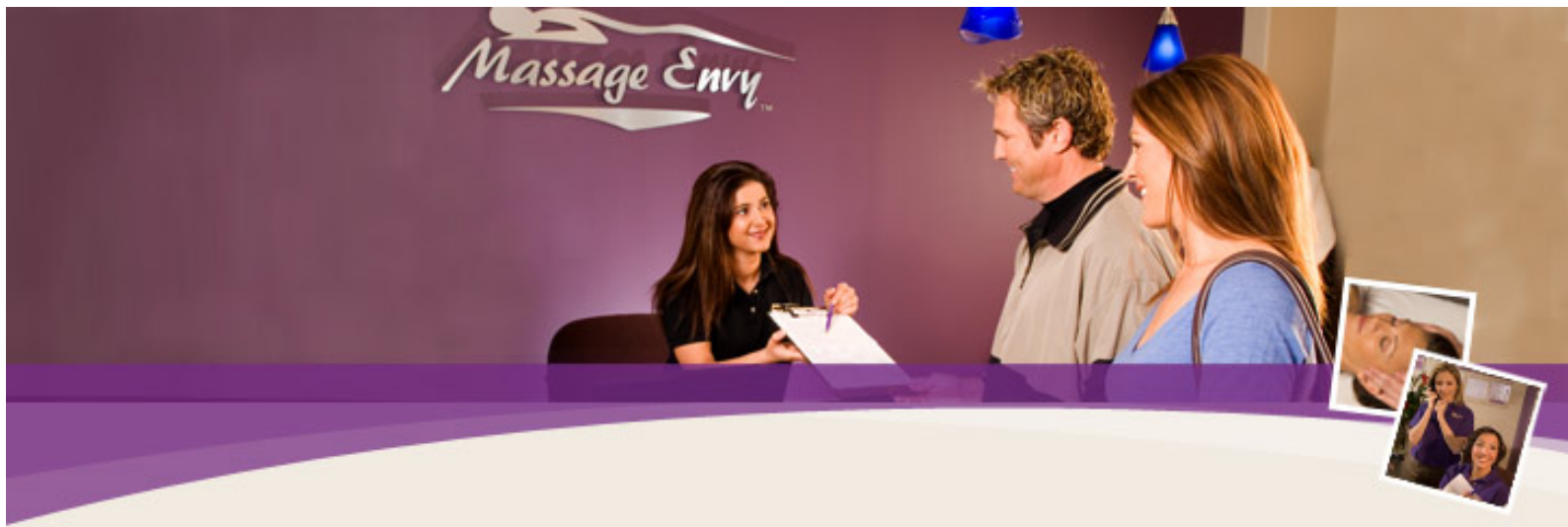
- Who is selling the services and products you sell-- regardless of the business model?
- Who's not on the radar yet?
- Core (profit-driving) customers come from within 10-15 minute travel time radius



“That’s not our customer.” Oh, really?



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**Competitors are ALL the businesses that sell the same things you do, in your trade area!**

# What will you do better than your competitor?



- Better service?
- Better facility?
- Better treatments?
- Better staff?
- Better location?

**Even poor competitors still have market share!**

# A Great Spa Business...



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- Fills a Need
- Solves a problem
- Does it consistently better than everyone else
- Is passionate about customer service
- Continuously improves

# Thank you for coming!



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