



The Recession Survival Kit

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The Stockdale Paradox (Jim Collins)



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- The discipline to face the brutal facts
 - It's going to get worse before it gets better
- The absolute certainty that you will prevail
 - A willingness to do whatever it takes



The Good News



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- Recessions provide an opportunity to get lean—and stay lean
 - You’ll be more profitable on the “other side”
- There will be fewer competitors (okay, it’s not good news for *everyone*)
- There is more talent available
 - Watch out for candidates from the first wave of layoffs: the “low hanging fruit” is bruised!



Good leaders over communicate!

- Talk to your team.
 - **If you're silent, rumors will fill the void!**
- Ask for what you need. Explain why.
 - Don't ask for less. Ask for more.
- Be gracious and say thank you to (at least) five line employees daily.
 - Small rewards, personal touches
- Celebrate “wins”
 - Storytelling is powerful



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The Survival Strategy

- **Optimize every selling opportunity you have**
- **Optimize every saving opportunity you have**



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Optimizing Revenue



Gift Marketing



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- **Consumer advocates are warning against purchasing gift cards...so make sure you have enough gift MERCHANDISE to sell (at impulsive \$10-25 price points)**
- **Use GIFT WITH PURCHASE to increase size of gift card sales (A free pedicure with every \$150 in gift cards purchased)**
- **Add a grand prize drawing for a spa package (an entry for every \$150 in gift cards purchased)**
- **Sell print-on-demand gift certificates online**



Make sure it's easy to buy from your spa!



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- **LOOK like a store, sell like a store**
- **Is everyone the client encounters making it easy to buy from you?**
- **Mass marketers make buying convenient and irresistible**
- **Go see what they're doing and copy their good ideas!**



Parties and events

People are still getting married, having babies, celebrating birthdays...and they need parties!



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- Spa parties can be an affordable entertainment option
 - Pedicure parties: entry level pricing
 - Use upgrades or product gifts, not discounts
- Multiplies the results of your marketing efforts



Need be present to win!



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- When schedules slow, staff often want to go on “standby” and wait to be called in
- Today’s customers are impulsive and make last-minute reservations
- Don’t miss any opportunity to sell!



The Danger of Discounting



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- If everyone is doing it, it's probably **WRONG**
- Discounting calls into question the value of intangibles like spa services
- **Discounting is a zero-sum game: someone is always willing to go lower**
- Use value-adds/upgrades not discounts, to drive sales
- Hard to return to full price later



Big Retailer Tactics to Steal



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- Offer gift card “rebates” and rewards rather than discounts
- Protects the sale
- Drives spending (the more I spend, the more gift cards I get)
- Gets them to return (can’t use til next visit)
- Builds loyalty
- Higher perceived value



Client Retention: Designate a specialist



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- Contact first time guests after their visit
- Use phone and e mail to recontact absent guests
- Offer incentives for rescheduling before departure
- All the “should do’s” your team doesn’t have time for





#1 source of new guests: web search



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- Search engine optimization
 - Can they find your website?
 - Don't be a Flash in the pan
- Pay per click campaigns
 - get help—you can waste a lot of money





Customers' behavior has changed! Have you?



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- During a recession, customers don't buy to gain benefits but to AVOID LOSS.
 - Change your copy, offers to reflect this.
- Customers are waiting til the last minute. Be available when they need you.
 - Add on-call staffing to flex with demand.
 - Monitor your schedule by the hour, not the day.



March Madness: a Grassroots, Micro Marketing Campaign



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- Individual offers from individual therapists to reactivate past guests
- Spa/therapist contribute their time to give client a free upgrade
- Offer sent out by snail mail with personal notes



Home Care: Now More Than Ever

- Don't assume guests have less desire for home care products
- Don't let your team "close clients' purses for them" by opting out of home care recommendations
- Are you articulating the difference between your products and clients' would-be "substitutes"?



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Create affordable options



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**They want to keep coming regularly.
Give them new ways to do that!**

- Offer array of treatment times
- Micro treatments
- Luxurious pedicures
 - “substitutes” for more \$\$ treatments
- Promote series pricing
 - 3 treatment “mini series”





A Great Home Care Recommendation Guide



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- Adds value
- Educates
- Is not just a purchase order!
- Test: would they keep it even if they didn't want to buy?



**You can't just pay commission.
You have to pay attention!**



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- Employees want to know what's expected of them
- Then...they want to know where they stand, regularly
- Monthly "5 minute meetings" with their manager keep everyone's eye on the ball

When YOU follow through, THEY follow through.



Engage and reward the support team



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- Close sales and split commissions with service providers
- Pooled “team” commission on gift/impulse sales
- Offer a team bonus for reaching spa sales goals
- Avoid individual incentives for front desk/concierge team (skews priorities)



Good Vendors Make a Difference



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- Beyond PK: continuously train spa teams in “generic” sales skills
- Event support and coordination
- Upgraded Home Care Recommendation tools
- Merchandising support

You're paying them well. What are they doing for you?





Optimizing Savings



Financial leadership: it's not “whack a mole”



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- Act decisively
 - Move quickly but deliberately
 - Remain objective
 - Be consistent
- Communicate your priorities to your team
 - The all-hands Meeting
 - Frequent updates
- Ask for *their* money-saving ideas
 - They see things you don't
 - Promptly enact good suggestions
 - LISTEN





Two ways to save

- **Reduce your direct costs (cost of sales)**
 - The costs you incur only when you make a sale
 - Opportunity for big savings
- **Reduce your overhead**
 - The costs that are there whether you make a sale or not
 - More limited leverage...small percentage improvements
 - Requires constant vigilance



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Priority #1: Protect the Guest Experience



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- If it “touches” the client, it’s sacred
 - The frayed robe gets replaced!
- Don’t give them another reason not to come (they have plenty already)
- Clients will be looking for signs of distress
 - Repair, maintain, keep the spa looking its best
 - Don’t cut back on the little things clients love--they matter!



**This is their sanctuary
from the Real World!**



The Kindest Cuts: A Practical Approach



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- Is it a “nice to have” or a “have to have”?
- You can temporarily “suspend” rather than “cut” perks
- Find inexpensive rewards and recognition
 - Verbal praise and thanks is and always has been the most powerful motivator!
 - Your team needs more emotional support now. Good news: it’s free.



Examples of real-life cost reductions at PW



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- Reduced outside laundry service, renegotiated contract
- Enabled/encouraged guests to use debit cards
- Reduced size of copier (and cost of lease)
- Reduce the size of our brochure by 50%
- Eliminated any retail item that hasn't sold 6 units in the last 6 months
- Comparison shopping every big purchase (printing, computer services, repairs)



Cash is King!

- Cash is the lifeblood of your company
- Freeing up cash flow is essential
 - Simplify offerings
 - Streamline your menu



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Cash flow must: turn your inventory faster



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- Cut out the dead wood
 - Which SKU's aren't turning?
- A good vendor doesn't just sell in, they make sure you **sell through**



Sell fewer SKUs, faster: Focus on your top selling lines

- Reduces complexity (cost) of ordering
- Reduces cost of AP processing
 - You probably pay \$25 to process each invoice
- Reduces need to tie up cash with minimum orders
- Accelerate inventory turns to **6x per year**



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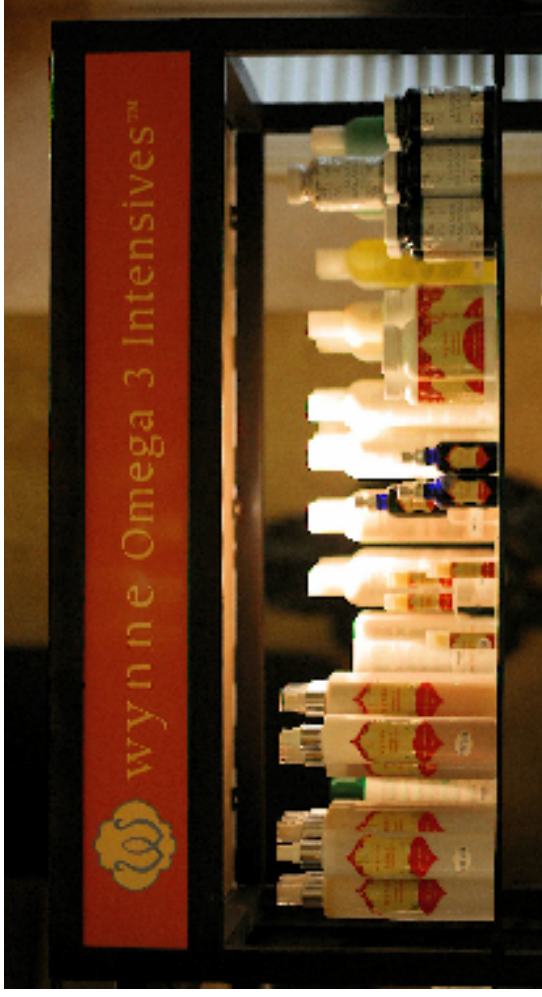


Build a more profitable retail mix.



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- **The Bliss**
Effect: robust
mix of expertly
supported
name brands
and a high
margin house
brand





Cash Flow Must: Streamline your menu



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- Reduces backbar cost
- Reduces training cost
- Reduces quality control cost
 - less popular tx are not performed as well
- Use a modular approach

Big spa menus are less profitable!



Revisit and rework your protocols

- It's easy to waste product if no one is paying attention! Create awareness in your team of the cost of supplies
- Specify exact number of hot towels for each treatment
- Specify number and type of disposables like cotton pads, sponges
- Use a dispensing system for your more costly esthetics products
 - Each esthetician can be responsible for their own kit



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Reduce Your Compensation Costs



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- Is your compensation plan calibrated correctly?
 - If it's too "rich" you may need to redesign it
 - Tie retail commission to product profit
 - Pay ONLY for performance!





Real Life Compensation Changes



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- Suspended paid time off accruals for this year
- Suspended free monthly employee treatment voucher
- Passed on 10% increase in medical insurance, reducing employer contribution to 50%
- Reduced treatment rates by about 5%, retail commission by 10%
Example: 20% commission went to 18%, a 10% commission went to 9%)
- Reduced support staff comp by 10%, reduced hours, used managers on the floor more



Make responsible repairs to a flawed comp plan



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- Think you can convert employees to independent contractors to save money? You need a REAL plan.
- Offer plenty of upside potential to keep your team members motivated.
- Use a graduated plan that rewards top producers and bigger commitment
 - Grandfather some employees if needed, but make needed corrections promptly
 - Communicate, communicate! Comp plan changes are tricky under the best of circumstances



Get 'em out of the office! All hands on deck!

- It's the right time for managers to spend more time on the floor
 - Added benefit: real-time leadership for sales and customer service
 - Cover breaks so you don't have to overstaff



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Cut operating hours? Not so fast...

- You need a BIG net to catch enough fish
- If you pay for production, your incremental overhead cost for staying open is relatively small
- The impact to your reputation may be bigger than you think



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Trust but verify



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- **Is shrinkage increasing? Cash drawer short?**
 - **During downturns, fingers can get sticky**
- **Online video surveillance systems are affordable (they pay for themselves)**



Look into a Professional Employment Organization



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- PEO's assume responsibility for many HR activities, provide work comp insurance, help you manage risk
 - On call 24/7, on site assistance
- Simplify your back office and spend more time on high return sales leadership and employee development
 - Resource: www.avitusgroup.com



**THANK YOU FOR YOUR
ATTENTION! A pdf copy of this
presentation will be posted on
www.wynnebusiness.com**

MORE QUESTIONS?

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