

Spa Startup 101 – The Real Business of Spa

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Why Spa Services?

- Technician financing a job for yourself?
 - “I can do this better than my current boss.”
- Corporate Dropout?
 - “The spa world must be so relaxing . . .”
- Long-term exit strategy?
 - “When I retire I’ll run my spa.”
- You’d like to have a little more drama in your life?

U.S. Spa Market



- 57 million US Adults have been to a spa
- 46% of consumers would choose appearance enhancement over an expensive vacation or luxury vehicle
- 45 million consumers visited a day spa or resort spa in the last year
- Currently 12K+ day spas in the US

What's a spa today anyway?

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What You Need

- A planning process
- Solid financial projections
- Money
- Realistic expectations
- The ability to multi-task



Identify Target Market

- Who are your target clients?
 - Socio-economic status
 - Ethnicity
 - Age
- Where do they live, work?
- What services will they be interested in?



Define your Vision

- Expansion or New
- Results or experience oriented
- Treatment philosophy
- Branding opportunities

Examine financial realities

- Project cost analysis
 - Getting facility open will cost at least \$200/sq ft
 - You also need 6-9 months of operating capital
- New construction or existing building
- 2000 sq ft spa = approx \$475K
- Bank will want you to contribute 20-30%
- Profits , when achieved, will typically range from 0-15%

Financial Projections

- Revenue-producing areas
 - Treatment rooms
 - Salon Departments
 - Cosmetics, Waxing, Medical services
 - Retail Area
- Non-revenue producing areas
 - Lounges, locker rooms
 - Check-in/Check-out
 - Employee areas
 - Storage
 - Hallways, utilities, laundry

Size matters!



- How big does it need to be?
- How big can you afford it to be?
- Start small and grow later
- Bigger is not necessarily better

Project Logistics

- Site Selection
- Development Team
 - General Contractor, Architect, Consultants, Designers
- Licensing & Regulations
- Development Timeline



Creating the Spa Personality

- Facility location
- Ambiance
- Floor plan
- Design & décor
- Room Layout
- Amenities



What services is your target market seeking?

- Skincare
- Makeup
- Body Treatments
- Hydrotherapies
- Waxing
- Massage
- Nails
- Meditation/Mind
- Classes/Lectures
- Eastern modalities
- Fitness
- Group Events

Service Analysis

- Most Popular
- Most Profitable
 - Facials and Makeup = retail sales
 - Massage = low cost of service delivery



Service Menu



- Basic Services
- Service Packages or Groups
- Services for Men & Women
- Signature Services
- Seasonal and Special Offerings
- Upselling Opportunities
- Tie-ins to theme or branding

Choosing product vendors

- Similar Philosophy
- Support & Training assistance
- Cost per treatment analysis
- Education
- Retailing synergies/Price points
- Packaging

Building a Brand Identity



- Mission & Vision Statements
- Logo & graphics
- Facility – color scheme and design
- Staff Uniforms
- Service Menu, Brochures & Collateral Materials

Building a Brand Identity - *cont'd*

- Private Label Products
- Signature Services
- Web Site
- Spoken cues & scripting
- Training, training, training

Assembling a Team

- Management Team

- Someone in management should have spa or salon experience
- But not necessarily everyone!

- Customer Service Staff

- Other client-facing industries an excellent resource – hotels, restaurants, retail

- Spa Service Providers

- Care and feeding
- Employees vs I.C.

Your Compensation Plan

- Labor is your single biggest expense
- Traditional approach – commission
- Modern approach – treatment rates, hourly +, team-based, benefits
- Know what your competition is doing
- Total payroll = < 60% of total revenue
- Get it right the first time!

The Human Resource Component

- Creating underlying structure
 - Org Charts
 - Position descriptions
 - Staff Handbook
 - Operations manuals
 - Orientation & Training programs
 - Ongoing communication plan

Continuous Evolution



- Make continual facility updates
- Change artwork
- Remerchandising/Floor moves
- Seasonal menu additions
- Examine what works, eliminate what doesn't

Current Trends

- Indigenous ingredients & treatments
- New target markets – men, teens,
- Fusion treatments
- Social Spa-ing
- Green Spas
- Medical
- Don't forget the stress relief

Future Growth Opportunities

- Clinical Esthetic Services
- Medical Esthetic Services
- Preventive Health
- Lifestyle Management and Wellness
- Fitness
- Event Venue

Barriers to Success



- Initial Undercapitalization
- Not understanding your niche, or not having a niche at all
- Thinking it will “run itself”
- Not investing in education & training
- The wrong compensation plan
- Lack of qualified management

Care and Feeding

- Foster team-building
- Provide visionary leadership
- Pay attention to quality assurance
- Value learning
- Compensate the behaviors you want
- Make it fun and fulfilling
- Expect more competition—it's coming

Spa Startup 101

Thank you for your attention!

Q & A with

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