Spa Startup 101 – The Real Business of Spa

Presented by Lisa M. Starr
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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?
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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