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# Back in the Black: Returning to Profitability Before a Recovery

**Presented by Peggy Wynne Borgman**

**President, Wynne Business**

# Who we are

## ■ Peggy Wynne Borgman

- 26+ year spa operator: Preston Wynne Spa
  - SF Bay Area spa with 50 employees
- Wynne Business, 15 year old spa consulting firm
  - Turnaround and startup consulting
  - Webinars and live seminars
  - Strategic visioning for spas and spa vendors



# Congratulations: you survived 2009.



- Businesses were transformed last year
- “Successful Survivors” seized the opportunity to repair and improve their business model.

# What does Q-1, 2010 look like to you?





**Congratulations! It's a  
Recovery!**

**Oh...**

# Successful Survivors

- Have watched sales drop and profits increase
- Are creating their own recovery



...how??

# In 2010, Successful Survivors will...

- Reduce Costs and Expenses (yes, more)
- Increase Revenue
  - Consumer spending is on the rebound
  - The luxury sector is leading the way



# Supportive Trends



- “Luxury shame” is abating, spending is on the rise among super-affluents\*
- Luxury market is recovering before the rest of the market
- Luxury experiences are outselling luxury items\*

\* [unitymarketingonline.com](http://unitymarketingonline.com), Pam Danziger

# Supportive Trends



- Searches on Spa Finder for “wellness” increased 300% in 2009
- Wellness and quality of life have increased in importance
- But don’t write the P word off yet (pampering isn’t dead)

# Successful survivors found their leverage.

- **Controlling cost of sales gives the best return on effort**
- **High risk, high gain moves can only be made during first phase of a crisis. It's harder to make bold moves now...**



**...but you may still have to.**

# Leverage Point: Compensation Plans

- Many successful survivors recalibrated their comp plans
  - Are retail commissions too rich?
  - Are service commissions or treatment rates too high?
  - End hourly guarantees...



# “Shared pain” can backfire after awhile

- Across the board pay decreases during a crisis work for short periods only
- They eventually end up demotivating your team
- The recession has lasted longer than expected.
- It’s time to create ways to earn a raise.



# Increases in pay must be self-financed and “JIT”



- Your most productive employees should be rewarded for their larger contributions
- Favor full timers' commitment
- Performance-based incentives must be JIT
  - Example: All ee's who contribute more than \$xx per pay period move up a tier in the pay scale **for the following pay period**



# Leverage Point: Benefits

- Most successful survivors have changed their benefits plan
- They suspended, rather than eliminated PTO
- Be careful; the recovery may stall (more than once)
  - Reinstate PTO as you can afford to do so.
  - You don't have to put everything back "the way it was"

# The big question mark



- Health Care Reform will impact your company—how?
  - 50 or more ee's will be most impacted
  - 60% employer contribution, 30 hours = FT
  - Talk to your broker now (if you haven't already)
- Medical premiums are going up dramatically
  - If you offer medical, wait to restore other benefits (like PTO) until you know how you'll be affected



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**Successful survivors have worked hard to elevate morale, enabling them to attract and retain the most productive team members**

# Leverage: use a PEO

- Professional employment organizations (PEO's) can reduce cost and risk, providing
  - payroll
  - work comp
  - HR support
  - benefits



# What NOT to do...



- “Convert” employees to independent contractors
- Not pay accrued vacation because you can’t afford it

# Successful survivors look and act successful.



- Reduce operating hours? Not so fast.
- Do a careful analysis of costs vs. opportunities
  - A “big net” will catch more fish
  - It’s all about the customer!

# Successful Survivors keep reducing overhead.

- Successful survivors have not stopped looking for fat to trim.
- Maintaining hard-won recession discipline.



# They *do* sweat the small stuff.



- Continuous small improvements add up.
- A lot of “savings” behaviors are green, too. Reduce, re-use, repair, recycle, repurpose.

# Reducing can mean improving.



With thanks to Avant Gard Spa!

- **Example: the tea project**
  - providing bagged tea was expensive (lots of it walked out)
  - now we brew better quality tea in bulk and save \$\$
    - Ready when clients are
    - We have a new retail item
    - Less packaging/waste

# Reduce cost/improve marketing impact



With thanks to Avant  
Gard Spa!

- Shop your print projects!
- Your local printer may still have the best prices on some jobs, or be willing to match online rates
- Create in-store marketing materials on the cheap online
  - Banners, posters, postcards, simple brochures
  - Start at [Couponcabin.com](http://Couponcabin.com) for 50% off coupon

# Recession-lesson to never forget:



- Look at every contract. Recurring expenses can be a slow leak in your profit
  - laundry services
  - copier
  - bottled water
  - phones
    - C beyond for phone/IT consolidation
    - Explore business-grade VOIP. You might be able to replace your existing system for the cost of one conventional phone bill

# Time for an update?

## Reduce cost/improve web presence



- Switch to a WordPress “blog driven” site
- Do your own updates
  - fresher, more personalized site
  - more social media friendly

# Successful survivors are exploiting free or low cost marketing opportunities...



Good, bad or ugly, every Yelp review improves your Search rankings.

...while executing well on **basics** of web presence, like SEO and a constantly updated, fresh and compelling website.

# Successful Survivors are busy building their community

- A conversation, not a pitch
- It's okay to pay for fans
  - Pay per click campaigns for fans, events
- Daily care and feeding of your fan page
  - you, or your “director of community”



# Survivors leverage powerful campaigns to build community



- Millions are being spent to promote health/issue Awareness campaigns.
- “Feel Good While You Do Good” eases guilt about self indulgence
- Benefit local organizations
  - Board members are born evangelists



# Successful survivors are NOT dropping the D bomb



**There's always someone crazy enough to go lower! Stay out of this trap.**

...but they ARE giving more value



- Offers that protect price points (They have to pay more to get more)
- Offers that protect perceived value
- GWPs rule
  - expire them!

# Luxury retailers are easing customers back into full price purchases.

- Profits are increasing
- They're offering a wider variety of price points
  - The Tiffany "Keys"
  - "Small Indulgences"  
45 minutes/\$75



**New to priceline?**  
We've made it easy to bid on  
your own big hotel deal

**BIG DEAL DAYS!**

See Real Winning Hotel Bids  
New \$25 Big Deal Guarantee

get your BIG DEAL now!

**ENDS MARCH 31<sup>ST</sup>**



*“Is it  
wise...?”*

# Successful survivors know their service inventory is perishable.

- Yield management is a must
- Maximize pricing in high demand periods
- Drive demand for low periods
  - Segment your customer base/e mail marketing lists and save your most aggressive offers for a self selected group (“The Hot List”)
- Daily monitoring, JIT marketing

# Survivors' service providers participate in some promos



- “I don’t work for free” vs. “I co-invest with my spa”
- **Ask**, don’t *order* them to participate.
- Don’t overdo it.
  - Opt-out options for some campaigns may be appropriate
  - They’ll see busier co workers and get on board



# Watch out for promos that drive high **volume**



- Groupon, Spa Week, etc.
  - know what kind of business you *need*
- Monitor results closely to see if it's worth repeating
  - Repeat business or costly churn?

# If you're promoting aggressively...



- Be careful with third party gift marketing programs that take a percentage of your already “discounted” sale.
- Always include with your offers **“may not be combined with any other promotion or series discount.”**



# Key internal marketing modalities

- Games, **fun** (it's been in short supply)
- What has your vendor done for you lately?
- Improve visual merchandising
- Improve home care recommendation tools
  - Prescription pads are so last decade
- Getting front desk/reservations into the sales game
  - Rescheduling incentives
  - Pooled incentives

# Essential to Survivors: an attitude of abundance



- Clients look for signs of pain and weakness in your company
  - They want to feel it's "okay" to take care of themselves
  - Don't cut back on the little luxuries clients enjoy (high risk, low gain)

# Survivors have their priorities straight

- Is it a “nice to have” or a “have to have”?
- If it “touches the customer” it’s sacred
  - Fix it
  - Replace it
  - Upgrade it



# Successful survivors turned “support” teams into sales teams



- Incentives (pooled)
- Skills training
  - Do it online. It's cheap.
- Rigorous measurements
- More manager presence on the floor
  - Setting and communicating expectations
  - Modeling sales skills

# Survivors have kept it fresh



- **Continuous drumbeat of events**
  - **Teen Skin Care**
  - **Makeup workshops**
  - **Client appreciation**
  - **Vendor events**
  - **“Top 100” recognition**
  - **Edutainment**

# Survivors have elevated service levels



- Many of your competitors are “going downhill” so contrast is dramatic
- More talent for hire
- Online training is cheap!
- Fewer clients = time for more individual attention

# Survivors are measuring customer satisfaction



- Net promoter score is quick, and best indicator of profitability
  - Netpromoter.com
- NPS becomes one of your key metrics
  - Treatment Quality
  - Facility Quality

# Survivors are courting Millennials

## Millenials

- Millennials expect and want customization
- Millennials want service when *they* want it; don't smother them
- They do things in groups
- They love a bargain
- They prefer to be spontaneous



# Looking beyond “Spa Wellness 101”



- Health sectors with intense, growing need (cancer, detox) are most receptive to spa offerings
- Staff education and specialization must increase to play in this market
- Physician outreach initiatives



# The Survivor's Menu



- Streamlined
- Modular
  - lower back bar cost
  - lower training cost
- More customization opportunities
- S M L XL times and prices

**Complexity is the enemy of profit!**

# Modular Menus: one from Column A...



- “A” Core services, plus...
  - 45-90 minute sessions
- “B” Enhancements
  - Results boosters
- “C” Add ons
  - 15-30 minutes

**You don't need a huge menu to offer almost infinite possibilities.**

# Survivors' Retail Secrets



- Sell more of your best sellers
  - Promote proven “winners”
- Haven't sold one in six months?
  - ruthlessly dump “dog” SKUs
- Favor activist vendors
- Turn rate: 5-6x

# Key Survivor Move: Private branding

- Now more than ever
- Fastest way to build profit:  
lower your cost of sales
- Protect yourself against  
online proliferation of once-  
exclusive professional brands
- Quality and variety is  
constantly increasing
- Robust retail mix is key



# Unique Opportunities of a downturn



- The spa market has contracted—landlords are motivated to keep their tenants
  - Take over a failed spa
  - Renegotiate your lease



# Successful Survivors

- Have maintained successful image w/clients
- Have combined bold moves with small and steady improvements
- Watch their numbers closely
  - they're responsive, not reactive
- Actively manage team morale
  - Are sharing challenges and successes openly with their team
    - Monthly e mail newsletter for staff

**Successful Survivors are  
poised to profit handsomely  
with a recovery.**





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Thank you.  
Q & A Time!

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