

**Four  
Cornerstones of  
Spa Success**

IECSC Las Vegas 2010  
By Lisa M. Starr  
Wynne Business

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**Topics for Today**



- Money- Effective Financial Management
- People- Human Resources
- Perception – Branding & Marketing
- Structure - Operations Management

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**What is Success?**



- You are getting paid for your contribution to your business, whether as manager or tech.
- Your business can produce a profit on its sales.
- You are growing your staff and your clients continually.

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## Money - Effective Financial Management

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## Realistic Expectations

- Start with enough money!
  - Start-up costs
  - Operating capital
- Your role in your business
- Expected profit margins



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## Effective Financial Management

- Performance Benchmarking & Profit Formulas
- Financial Strategies



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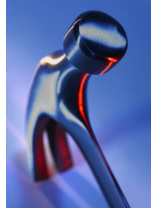
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## Financial Framework



- Chart of Accounts
- Income Statements
- Department specific payroll
- Isolation of treatment costs
- Ratios and benchmarks



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## Income Statement



- Revenue, with department detail for services and retail
- Cost of goods, with same department detail (costs related directly to sale)
- Gross margin
- Expenses
- Net Margin

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## Income Statement



Skin Service Sales	Skin Service Labor
Massage Service Sales	Massage Service Labor
Skin Retail Sales	Skin Retail Comm.
Massage Retail Sales	Mass Retail Comm.
Other Income	Skin Tx. Supplies
Gift Certificate Sales	Massage Tx. Supplies
<b>TOTAL REVENUE</b>	Freight & Packaging
	Concierge Staff
	Credit Card Fees
	<b>TOTAL COST OF GOODS</b>
	<b>GROSS MARGIN</b>
	<b>EXPENSES</b>
	<b>NET MARGIN</b>

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## Tracking Revenue - cont'd



- \$ sales per square foot
  - Annual Retail \$ + Svc \$ / total square feet
- Utilization/Productivity rate
  - # of appts avail / # of appts sold
- Retail ratios
  - svc sales/total sales




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## Tracking Revenue



Recommended Retail to *Total Sales* Ratios

### Day Spa

### Resort Spa

- |                       |                      |
|-----------------------|----------------------|
| ■ Hair - 10-15%       | ■ Hair - 5-10%       |
| ■ Skincare - 35-50 %  | ■ Skincare - 15-30%  |
| ■ Massage/Body 1-5%   | ■ Massage/Bdy - 0-5% |
| ■ Nails - 5-15%       | ■ Nails - 0-10%      |
| ■ Cosmetics - 40-100% | ■ Cosmetics - 25-50% |
| ■ Gift - 10-40%       | ■ Gift - 5-15%       |

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## Tracking Expenses



- Labor – Your Largest Expense
  - Technical Staff
  - Hourly Staff
  - Management/Salaried Staff
  - Taxes & Benefits




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## Technician Compensation



- Consider gross margin FIRST
- New world compensation plans should include benefits, education, perks, just like a real job!
- Talk about annual earnings
- Try to avoid tying tech comp to client fees

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## Treatment Rate plans



- \$ per service, not a %
- \$ amount depends on skill and knowledge needed to perform the treatment
- Tiered plans provide advancement path
- Move up based on clearly defined performance metrics

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## Tracking Expenses



- Professional inventory costs, by department
  - Skincare 5-8%
  - Nails 4%
  - Massage/Body 1 - 2%
  - Makeup 1%
  - Hair 6-7%



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## Labor & inventory chart of accounts



- Labor Expense
- Skincare & Waxing
- Inventory Expense
  - Retail
  - Back bar
- Massage & Body
- Nails
- Hair
- Makeup
- Other

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## Other Expenses



- Rent, Utilities & Debt Service
- Advertising & Marketing
- Cleaning, Repairs & Maintenance
- Training & Education
- PROFIT!

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## Financial Strategies



- Does your compensation plan drive the right behaviors?
- Are your ratios aligned with benchmarks?
- Does your menu reflect an ability to upsell and increase average tickets?
- Are your performance appraisals tied to financial behaviors?

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## Financial Strategies – *cont'd*



- Is each workstation staffed for maximum productivity?
- Do operating hours reflect demand?
- Is there an inventory management program in place?
- Is there a retail sales program in place?



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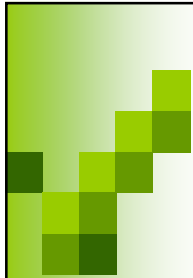
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## People - Human Resources



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## You have two sets of clients



- External customers
- Internal customers



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## The Challenges



- “Nobody ever told me.”
- “It’s not my job.”
- “I don’t know who to ask.”
- “When is my next break?”

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## Having a top team is your most important responsibility



- You can’t do everything yourself
- You’re not touching all of the clients
- You’re only as strong as your weakest link
- Clients are attracted to a calm, professional atmosphere for personal care services

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## Documentation and Structure create . . .



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## Team Building Overview



- Defined Management Structure
- Recruiting pipeline
- Interviewing process
- Practical Skills Assessment
- Reference & background checks
- Company Orientation
- Support Documentation
- Training & Education

Create a vital company culture!

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## Organizational Structure



- Your Org Chart
  - Your management structure should support the business in all areas without duplication of efforts
  - Should be clear and shared with all staff

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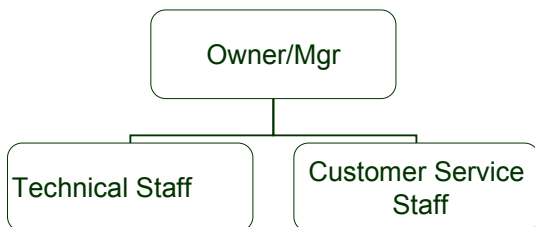
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## Sample Org Charts



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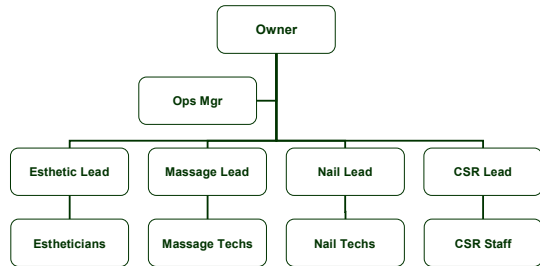
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## Sample Org Charts




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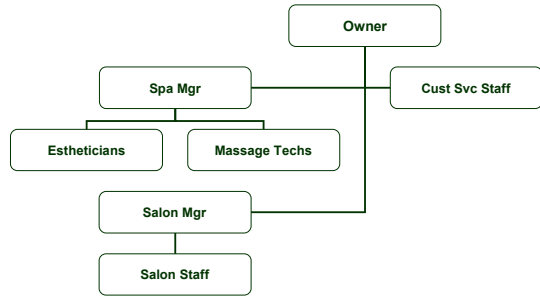
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## Sample Org Charts




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## Recruitment & Application



- Market your business as an “employer of choice”
  - Renowned training program
  - Excellent career opportunities
- Word of mouth generates the most leads
- Applicants should have a resume and fill out an application
- You are ALWAYS looking

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## Position Descriptions — Why?



- Attract the **right** candidates
- Be clear from the beginning
- Setting standards avoids accusations of favoritism
- Ensures that staff knows who and what
- Don't start compromising already

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## The A Player Job Description



- Job activities/responsibilities
  - **Basic job responsibilities** for technical and therapeutic staff include meeting attendance, sidework, client communication, daily work station prep and cleanup, team/staff meetings and meetings with supervisor.
- Team member responsibilities
- Qualifications and experience required
- Desired behavioral characteristics

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## You're never in too much of a hurry to hire right.



- Job turnover destroys profit
  - Trainer wages
  - Trainee wages
  - Trainee errors
  - Customer dissatisfaction
  - Operations Disruption
  - Management time wasted
  - Recruiting costs

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## Company Orientation



- Performed by a spiritual and passionate leader
- Welcoming and company overview, indoctrination
- *Not* reading to new hires!
- 90-Day probationary period
- Assign a mentor or buddy

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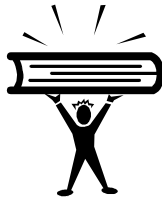
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## Support Documentation



- Policy Handbook
  - Promotes fairness
- Job Descriptions
  - For all positions
- Service Protocols
- Department Manuals
  - Department specific info
- Operations Manuals
  - Front desk and customer service



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## Department Manual



- Information specific to the department
  - Dept dress code, purchasing process
- Accessible – in tx rooms/personal copies
- 3-ring Binder
- Product knowledge from vendors
- Service Protocols
- Linen usage guidelines

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## Training Protocols



- Compensate new hires for training time at hourly training rates
- Don't overload them; spread it out
- Don't just train on technical duties
- Customer Service, Communications, Sales Skills
- Department Manuals should include space for note-taking

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## Training Protocols cont'd



- Develop a training grid for each department
- Training by both inside and outside personnel
- Demonstration and hands on
- Role play where appropriate
- Quizzes and games

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## What Is Leadership?



- The process of mobilizing people, their ideas, and their energy.



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## Leadership vs. Management



- Management is getting people to do what needs to be done
- Leadership is getting people to want to do what needs to be done
- Managers push. Leaders pull. Managers command. Leaders communicate.
- Management: creating an environment for performance
- Leadership: creating an environment for fulfillment and growth

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## Leadership Attitudes



- Don't treat people the way you would like to be treated, treat them the way they want to be treated
- Build a climate of trust by encouraging freedom
- Communicate, communicate, communicate
- Keep it fun
- Remember, leadership is an art, not a science

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## Your Company Culture: Valued or Worthless?



- If your culture stinks, no one will pay you for it
- Mutual respect between functional teams is key
- Excellent leadership skills required

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## Perception – Branding & Marketing

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## So you're a spa????



- Who is your target client?
- Why should they patronize you?
- The fallacy of, "If we build it, they will come"




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## Branding





- Who are you?
- What is your brand promise?
- What's in it for the customer?








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## Branding - cont'd



- | <u>Brand</u> | <u>Brand Promise</u> |
|--------------|----------------------|
| ■ Starbucks  |                      |
| ■ Apple      |                      |
| ■ W Hotels   |                      |
| ■ Jet Blue   |                      |
| ■ Tiffany    |                      |
| ■ Target     |                      |

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## Essence of the Brand



- Summed up in one sentence:
  - A delicious ritual that energizes your day
  - Great style and leading edge design that's affordable
  - Timeless classic design
  - Our computers make everyone look like a genius
  - Hip, modern luxury

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## Key Differentiators



- Unique and compelling
  - Process
  - Design
  - Product
  - Experience



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## Mission Statement



- The promise to the customers, short and sweet
  - “To help our customers feel absolutely wonderful, whether calling on the phone or spending the day”
  - “Ladies and Gentlemen serving Ladies and Gentlemen”

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## Brand Style



- Distinctive Logo or Identity
- Tagline or motto
  - PW – “Superb skin and body care”
- Branded Visuals
  - Typefaces, images, design & color
- Branded Design
  - Décor, signage, uniforms, color



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## Online Marketing



- Not just “having a web site”, but creating traffic
- Pay to play directories – Spa Finder, Spa Addict
- Associations – ISPA, Day Spa Assoc
- Your ads point consumers to web site

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## Online Marketing - cont'd



- Search Engine Optimization
  - High page-ranking in natural search results
  - Constant attention and maintenance
  - Behind-the-scenes design & programming
  - Number and quality of links
  - Popularity and freshness of content

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## Online Marketing - cont'd



- Online Reviews
  - Yelp, Citysearch
  - Constant monitoring
- Social Media
  - Facebook
  - Twitter



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## Online Marketing - con'td



- Your online spa store
  - 24/7 sales, unlimited market area
  - Not necessarily less expensive
  - Design, photography
  - Which products?
  - Merchant account and shopping cart
    - Nexternal.com, Volusion.com

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## Loyalty Programs



- Start with internal customer
  - Happy, motivated staff
  - Ethics and inspiration
- Existing customer base
  - 75% of consumers carry loyalty cards
  - American firms spent \$1B (2003)

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## Loyalty Programs – *cont'd*



- Use it to drive behaviors
  - Certain days, products, services, techs
  - Geared to target client, not everyone!
  - Can your software manage this?
  - Give regulars what they want; they spend more and cost less!



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## Structure - Operations Management

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## Operations Management



- Two key components
  - Employee Empowerment
  - Management Support & Business Leadership
- Firm, fair and friendly
- Constant, gentle, pressure\*

*\*Danny Meyer, Setting The Table*

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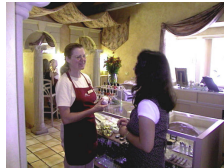
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## Process Evaluation



- How are things done?
- Focus on
  - eliminating waste of time or product
  - efficient and effective service delivery



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## Operations Manuals



- Oriented to Customer Service staff
- Daily tasks and objectives
- Loss Prevention outline
- Opening and closing procedures
- Detailed “how-to” on software transactions
- Contact info
- Separate daily log book

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## Operations Manual - Why?



- Enable empowerment
- Provide consistency in customer service approach
- Understand “why”
- Stress importance of details
- Builds confidence

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## Scripting



- The biggest complaint from spa employees: “I don’t know what to say!”
- Assumptive language vs. passive language: “I’d like to give you another treatment before your trip is over” vs. “Would you care to make another appointment?”
- Script-sharing round table sessions

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## Software – can you use yours?



- Many spas use 50% of the capability of their software
- Create a training plan – who, when, what
- Participate in online forums
- Update regularly

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## Inventory Management



- Using software to create purchase orders
- Manual review
- Examine need, order, receipt, restock cycle
- Secure storage using Chart of Accounts categories

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## Service Protocols



- Step by step how-to
- Specific for each service on the menu
- Include timing of each step
- Supply consult language
- Include recommended product and laundry usage guidelines
- Establish home care tie-ins

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## Service Protocol example *cont'd*



- Overall description of service
- Ideal target client for service
- Contraindications
- Service Time
- Supply and Product Checklist
- Procedure Outline
- Home Care Recommendations

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## Service Delivery Cycle



- Are you turning phone calls into appointments?
- Appointments into repeat customers?
- Maximizing efficiency?



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## Retailing



- Retailing doesn't just happen
- Understand the basic concepts
- Ensure a profitable retail mix
- Communicate opportunity
- Home care prescriptions



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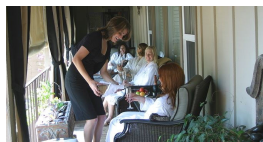
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## Quality Assurance



- Client Evaluation Cards
  - For all clients, not just new ones
- Secret Shopping Service
- Testing
  - Inspection
  - Quizzes/Exams



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## Revenue Management



- Varying demand for commodity
- Limited or fixed supply of commodity
- Sold by reservation
- Infrastructure to manage multiple price points

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## Revenue Management approaches



- *Dynamic Pricing* - Price varies based on demand
  - Weekday vs. weekend pricing
- *Dynamic Availability* - What is offered varies based on demand

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## Dynamic Pricing



- Weekend pricing 12-20% higher
- Weekday pricing 12-20% lower
- Value added svcs in non-peak times
- Specials to attract specific audiences to low demand periods
  - Summer weekday teacher promotions
  - Future visit voucher for 1<sup>st</sup> & last appts

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## Dynamic Availability



- No packages on weekends
- Treatment minimums during high demand
- No singles in couples' rooms
- High-margin, higher priced, or longer services only

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## Revenue Management Principles



- Focus on expanding revenue, not cutting expenses
- Attract different market segments
- Bullpen or overstaffing for maximum utilization
- Fine-tuning strategy, not for start-ups

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## Growth Strategies



- Operations AFTER sales
- Don't compete on price
- Know who your customers are, and who they aren't
- Existing core customer base is best source of new customers

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## Action planning



- Identify under-performing areas
- Develop an action plan
- Pick a few key focus points
- Both revenue and expense-side strategies
- Involve the staff



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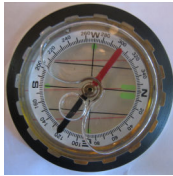
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## Action Planning - cont'd



- Are you good at the basics?
- Do you have the right people on your team?
- Prioritizing



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## Web Resources



- Spatrade.com
- Accountingcoach.com
- HR.com
- Workforce.com
- Leadingresources.com
- Emarketer.com

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## Four Cornerstones of Spa Success



**THANK YOU FOR YOUR ATTENTION!**

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