



## How Spas Can Avoid a Financial Decline in 2009

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While spas can physically, psychologically, socially and emotionally meet the needs of many people, the challenge is to do so in a financially feasible way. Many spas have been their own worst enemy by getting caught up in the "greed" factor (very high treatment prices). This has caused consumers to re-evaluate the genuine "need" and ability for them to visit the spa. Spas are realizing that their "feel good" bubble may burst if they do not respond to the challenging economic realities. The global spa universe is re-evaluating its ability and the necessity to be more affordable; provide more value; and emphasize need verses luxury. Like other industries, savvy spas are diligently looking at ways to address the new realities. They realize that if they don't do a make-over they may go under. Like every other business that wants to survive, spas are seriously examining every facet of their business.

### A Consultant's View

As Health Fitness Dynamics goes into our 26th year, we see that the challenges spas are facing this year may be a bit new, but we really think many of them have been there for a long time and now they are really more visible rather than new. There are numerous dormant issues that the industry has not had to face in "healthy" times. The "wellness" of our industry has deteriorated; some spas have taken precautionary and preventative care and are still doing well. Others have ignored the symptoms and have not set-up a self-care program so they are ill. Unfortunately, some spas are in denial or are paralyzed by the circumstances or have not reacted quickly enough and are, therefore, on their death bed.

Spas can no longer avoid examining every facet of their business and taking responsible, thoughtful and immediate action. Everything needs to go under a microscope in order to have a spa that meets the needs and interests of the guests; allows the spa to recruit and retain staff; and is a tangible asset in terms of its departmental profitability as well as its value to enhance the "core" business of selling hotel rooms and/or real estate.

The following are my "S" ideas on some of the key areas that need to be carefully examined and, as necessary, fine-tuned or re-structured.

### 1. Sales

Drive the top-line. Sell more treatments, products and gift certificates, but do it in a way that is personalized, customized and focused on benefits-value. Think volume. Look for ways to attract more people who might spend less rather than rely on the wealthy few who might spend more. Everyone is looking for a "deal" so when you have a lower revenue per guest visit, you need to look at increasing the number of guest visits. Be creative with your pricing based on guest loyalty, prime-time/non-prime-time visits, bring-a-friend incentives, etc. Create several value-added offerings with services, retail, F&B, etc. Make sure your marketing venues reach your target markets. Look beyond your web-site. Look at bulletin boards, blogs, discussion groups, social networking sites, etc. Brag about anything and everything you do that makes you different from and better than your competitors. People want to be part of the best that exists. Offer incentives to first time guests as well as to return guests. Guests can be your ambassadors. Reward them for bringing in their friends and family.

### 2. Staff

Recruit and hire people based on their personal attributes and attitude and not just their professional skills. Make sure they understand your vision, goals and standards and have a sense of ownership and passion in making these become a reality. Invest in, train and retain your full-time and loyal staff members because the bond they create with the guests is not easily replaceable. Compensate them fairly so they can "afford" to work at your spa. It is better to have a few excellent people who are busy and making money than to have lots of people who are bored and frustrated. Set up



Dr. Judy Singer

incentive and “above and beyond” programs to reward performance, productivity, sales, attendance, etc.

### 3. Service

Spas are all about service, not just services (treatments). Do not cut back on the level and quality of service because this will negatively impact the guest experience. Be more efficient in how you provide service, e.g., cross-train your staff so everyone helps one another while also catering to the guests. Management needs to be visible in terms of supporting their team and making sure the guests are happy. Continuously look for ways to delight your guests, respond to their needs and interests and create a loyalty-based relationship.

### 4. Services

See what treatments are really selling and eliminate the ones that are not selling. Keep things simple. If your menu is the encyclopedia of global spa treatments, you are creating decision-making stress for the guests, intense training for your staff and lots of inventory on your shelves. Look at the pricing and profit margins. Which treatments should be the most expensive: your most popular treatments or the ones with the higher product cost? Make sure your services are affordable and results-oriented so that people see the value and benefit of spending their time and money in your spa

### 5. Supplies

Minimize shrinkage and waste by setting up documented treatment protocols regarding products, supplies and quantities. Set up inventory control systems for requisitioning, stocking, distributing and re-ordering. Work with the vendors for special pricing on professional and retail products, give-aways for guests, sales incentives for staff, “try and buy” retail displays, etc. Save on back-of-house items; do not try to save on that could possibly have a negative impact on the guest experience

### 6. Staying Power

Be on-trend rather than trendy. This applies to treatments, products, equipment, marketing message, etc. Be relevant by understanding the needs to your guests then making and keeping the promise to over-deliver and over-whelm in a positive way so your guests are loyal and raving fans. Work smarter by listening to your staff and your guests, make everyone feel that they are an important part of your success and that your success has rewards for them

### Advice From the Leading Industry Leaders

I invited 3 industry leaders to share their “top 5” ideas to avoid or minimize the potential decline in 2009 as it relates to utilization, retention, productivity and profitability. Each of these people oversees numerous spas within their hotel chain/ collection. These spas cater to resort guests as well as local community guests and, in some cases, to a local membership. In addition, their spas are scattered throughout the world so they have a global perspective of the challenges, and they have developed and implemented strategies to address these.



**Jeremy McCarthy,**  
Director of Spa  
Operations,  
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#### **JEREMY McCARTHY**

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#### **1. Be Positive**

When surrounded by doom and gloom, it is easy to get pulled down into the negativity. It is important to maintain a sense of realistic optimism in troubled times. We should spend at least as much time creating more of what’s best as we do preparing for the worst. We should spend as much time focusing on generating more revenues as we do on cutting costs. We should spend as much time developing strengths as we do shoring up weaknesses.

#### **2. Be Passionate**

During tough times, the going is not easy. There is a lot of hard work to be done and everyone needs to roll up their sleeves and pitch in. Our spa managers have to do more with less than they ever have in the past. It is their passion that will keep the motivation high for themselves as well as their teams. It is also important to feel and express an even greater sense of appreciation for every team member that is pitching in during times of need and for every customer that walks in the door.

#### **3. Be Creative**

We find ourselves in a time of creative destruction. The old ways of doing things are no longer working. This is a time for innovation and for learning and developing new technologies to support our businesses into the future. Our spa managers are turning to new marketing channels and technologies to find new and better ways to reach our customers.

The price/value ratio must be constantly evaluated and our spas are presenting unique offerings with excellent value. Revenue management is more important than ever.

#### **4. Be Relevant**

Spas must offer more than pampering indulgences to be relevant during trying times. Our guests are confronting their own challenges and we have to give them a boost to help them face their own adversities. We need to not only help our guests relieve stress, but also teach guests how to be resilient in the face of it. The spas must provide not only treatments that are physically therapeutic but also experiences that elevate mood and emotion.

#### **5. Be Real**

Consumers don't turn to businesses during trying times, but they do turn to people. An important part of the spa experience is being cared for by others in a nurturing environment. Our staff seeks to create real connections with people and to become a part of a great support network that people can turn to during difficult times. The strength of connections built now will be even more important when the economy is booming again.

#### **ANNE McCALL WILSON,**

*Vice President Spas, Fairmont Raffles Hotels International*



Anne McCall Wilson,  
Vice President Spas,  
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#### **1. Find The Hunters**

I like a concept that an executive in our company has used - "hunters and gatherers" referring to sales strategies. With the growth in spas and spas revenue, we have largely focused on and talked about how we maximize the demand - we have been gatherers. Now we have to find business - hunt for it. This is often a different skill set. We have been focusing on finding those within our teams who love to hunt new business as well as setting up training to help move our team into hunting territory.

#### **2. Making Shorter, Smaller Goals**

Right now, things can get overwhelming. Business dynamics have changed and the negative talk all around can paralyze. We have been breaking things down into smaller, more immediate goals and celebrating their successes. Each spa has budget goals, of course, but setting small daily targets and getting the team engaged in filling 4 needed treatments that day can create a sense of accomplishment (and 4 treatments a day is 1,460 per year).

#### **3. Everyone Selling - Everyone Talking About What We Love**

It is critical that the entire spa - everyone - gets focused on sales/building even stronger customer relationships. There is always some resistance with getting therapists to embrace sales. They often need different language to help explain why this is good for their guests. I always explain that I always select a product that I would love to see them use and then sell the love. Right now, I explain that often our guests can't come to the spa as often so they need to be able to carry on a great home program even more than before. This helps with retail. But everyone selling isn't just the traditional things like inviting guests back, asking to book their next appointment or home care - I think it is talking all of the time about what we love - wherever we go - to keep our business where we work top of mind and talking about it enthusiastically. Maybe this also is the time to have our employees enjoy a treatment so they can tell others how much it helped with their stress relief, their outlook and in our Willow Stream spas - our energy level. At Willow Stream spas, our slogan is "finding your energy" and one of our principles is "energized people."

#### **4. Widening the Marketing Circle**

In hotel spas, we are lucky to have an entire hotel team that we can get working with us. We have found that smaller frequent goals and incentives work really well - especially when the rewards are transferable gift certificates they can give to mom. Partners and suppliers can also widen your circle of influence. Now more than ever, it pays to partner (of course the widest marketing circle is your very happy guests).

#### **5. LOVING the Customers You Have**

More than ever - our guests have to know how much they are appreciated. They also are more conscious of better service for their healthy investment AND for recognition and personalized service. All those other clever marketing spas are also trying to woo spa lovers to their businesses. All of our regular guests are getting even better treatment than ever. We are all so quick to give specials to attract new people when the special treatment really needs to be focused on your fans - this is circular too - see number 4.

I could also add that value add-ons are working and discounting doesn't drive business, but others will probably disagree. I am very, very big on social marketing, and all of our campaigns now have this component AND we have some very innovative stuff that is going to be launched shortly... can't give that away yet!



Liz Ratcliff,  
Corporate Director of Spa  
Development, The KOR Hotel  
Group

**LIZ RATCLIFF,**  
*Corporate Director of Spa Development, The KOR Hotel Group*

### 1. Yoga Retreats

The essence of the spa philosophy of the Tides brand is "A journey towards self-discovery." We wanted to take a different approach to yoga retreats that would reach a larger audience. We call our yoga retreats "A celebration of life" that offer fun and innovative beachside programming, such as ceviche and tequila tastings, surf lessons, beach bonfires, drumming circles and, of course, sunrise and sunset yoga on the beach. We didn't want the typical "yoga all day and night." We created these retreats with a free-spirited yet balanced experience that will benefit guests long after they leave. We teach our guests that connecting with nature allows them to reconnect with themselves.

### 2. Rational Pricing During Peak and Off Peak Periods

Analyze supply, demand and pricing to ensure maximum yield and perception of value for dollar spent. Upon arrival, each guest is welcomed by our Spa Directors and engaged to determine their needs in the area of overall wellness. Rationalized pricing is extended in order to fill specific need periods.

### 3. Engage Local Community

Host monthly Spa soirees. Develop Strategic partnerships. Offer deeper discounts for locals. Daycations

### 4. Creative Packaging

Living the Life: This package includes 3 of our signature spa treatments, hosted yoga throughout the day, organic cooking class that includes a trip to the local farmers market with the Executive Chef, followed by a hands-on cooking demonstration and a beachside dinner under the stars.

### 5. Create Ambassadors for the Spa Throughout the Hotel

Provide incentives for the sales staff. Reward for impeccable service. Complimentary spa services to those who book the spa. High guest contact colleagues experience spa services twice annually to ensure authentic representation of spa offerings.

### Conclusion

Learning from the leaders can be an excellent way to minimize mistakes and maximize results. I greatly appreciate their willingness to share ideas and strategies so that the spa industry can benefit from their expertise and experience.

I highly recommend that you study the above then meet with your team (spa staff, sales and marketing, hotel operations, finance, human resources, etc.) to discuss opportunities to generate more revenue; control payroll and operating expenses; and maintain or enhance your overall profitability.

It is very expensive and difficult to operate a successful spa, but it is not impossible. While the challenges may be more daunting, the excellent spa directors and hotel operators will rise to the occasion. They will find ways to save and make money without compromising the integrity of the experience. The solutions to the challenges we face today will result in a new business paradigm that will add to the overall efficiency and economic viability of the spa industry for many years to come.

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