



## Best Practices

### Controlling Your Spa's Labor Costs

By *Judith L. Singer, Ed.D., ISHC*  
*President & Co-Owner Health Fitness Dynamics, Inc. (HFD)*

With the tremendous growth of spas within the lodging industry, there is increasing attention being paid to how can the spa be an economically strong department within a lodging or mixed-use real estate venture. I believe that the answer to a spa's revenue and profit potential is the STAFF.

The staff are your most important asset. They are the heart and soul of your business. They relate to guests in a way that is very different from that of their colleagues in other hospitality departments. They generate most of the revenues in the spa, and they are the most costly operating expense of a spa.

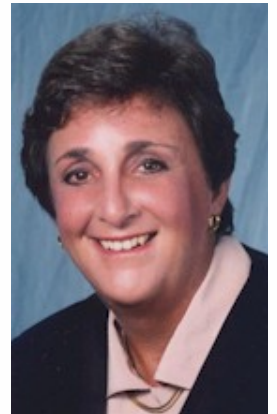
The spa industry, much like the larger hospitality industry, is experiencing a significant shortage of qualified staff. Due to the one-on-one nature of the spa experience (most of the revenue comes from spa treatments where there is one service provider providing a treatment to one guest), the impact of this shortage can be the difference between success or failure.

As the founder, co-owner and consultant in an international spa consulting company, I never under-estimate the need to educate our clients on the economic realities of a spa venture as it relates to the number of staff needed as well as the compensation and benefits program required to recruit, train and retain the spa team. Spas are a labor-intensive business. It is not uncommon for 50% or more of every dollar to be dedicated to the compensation program. If you want to give your guests an exceptional experience, there is very little room for error in your staffing program.

HFD has developed many staffing tools that have been adopted by most of the successful spas in the United States. The following are among the key strategies to help spas maximize their financial potential and minimize their staff-related revenue-expense ratio:

- Find spa staff, especially the spa director, who understand the "business of spas" as well as the "spa business."
- Recruit people based on passion and attitude. Technical skills are not enough. People need to have a desire and natural inclination to go "above and beyond" for guests as well as their colleagues.
- Provide a strong pre-opening training program. Hospitality training is just as important as technical, treatment, product and retail training.
- Cross-train staff so you have maximum coverage without over-hiring or over-staffing. This provides flexibility in being able to generate treatment revenues while maximizing your staff's earning potential.
- Compensate staff so they are rewarded based on their contribution to the spa's financial success. HFD advocates a four-tier compensation program for most of the line staff: guaranteed hourly rate, productivity incentive, gratuity and retail commission.
- Use financial tools that allow you to create and operate a "business." These tools should help you monitor and manage your revenues, payroll and operating expenses. Pay particular attention to yield management and productivity.
- Work with hospitality schools that want to add spa courses to their curriculum so that students have more career options, e.g., they can start in spa management positions rather than at the hotel front desk. Spas will have the opportunity to create internship programs which can increase guest service plus be a long-term recruiting tool.
- Consider creating your own training schools for licensed as well as non-licensed positions. This will become a source of revenue for the spa plus a means of recruiting.

In 2006, I was asked by PROFESSIONAL SPA magazine to share some thoughts on how spas can be more profitable. This is what I said....



Dr. Judy Singer

"We all know that payroll is a spa's most costly operating expense. Rather than looking at your staff as an expense, why not change the paradigm and look at them as "revenue-generators" and "profit-makers." Focus on how they can and should be part of the spa's financial success and how you can reward them.

Your staff need to understand spa economics. They need to be accountable and responsible for every facet of spa operations. Well-trained staff play an integral role in "revenue-maximization" and "expense-minimization."

It is important to have a compensation and incentive program that rewards staff not only when they generate revenue but also when they create profits. Revenue obviously comes when they perform treatments or sell retail. If the service providers are well-trained, they are not wasteful of treatment products. They know that "more is not better" and the treatments achieve their profit potential. If spa receptionists are well-trained, they know how to up-sell and link-sell with the goal to be "experience makers, not order takers." If the spa attendants are well-trained, they know how "service and not just services" can create memorable moments that result in guest loyalty.

Everyone on the staff has their primary job, but they also need to know and be trained so that when not taking care of a guest, their job is to take care of one another and the business. Everyone should have "side work" assignments; mentor new colleagues; read professional journals; make confirmation phone calls; be available in the retail area to help guests; give tours; etc. A well-trained team understands success is in the details and looks for opportunities to do something better.

As the staff try to save money, they should never compromise the guest experience. Savings need to be a "behind the scenes" endeavor that focuses on wastefulness or inefficiencies.

Your business is totally dependent on your staff. Invest in them and give them the tools, training, support and incentives so that they are able to and want to help your business be more profitable and marketable.

As the spa industry continues to emerge and be an economically viable venture, there needs to be a focus on finding and developing more creative ways to hire, train and retain staff as well as on creating compensation and incentive programs that reward the staff and allow the spa to be profitable.

When the spa is a successful venture, there is a positive impact on your "core" business which is to sell hotel rooms and lifestyle real estate. If you do not have enough qualified, passionate and dedicated spa staff, it will be very challenging, if not impossible, to provide the type of experience that the guests expect.

### **Practical and Proven "Words of Wisdom" from the Spa Directors**

I have invited five Spa Directors whom I consider to be among the best in the spa industry. They have been selected because of their first-hand experience and proven records of financial success at some of the top spas in the United States. I am very grateful that they have agreed to share their expertise on "staffing for success."



*Kim Huber*

**Kim Huber, Executive Spa Director, Pinehurst Resort, Pinehurst, NC**

#### • Daily "Staff Cut" Procedure

The Spa Manager on Duty has a procedure which effectively maintains our labor costs. This process is very easy to manage and each Manager on Duty has a Master List of Professional Staff employees in order of seniority. It may seem as if you are playing "Tetris" when you first implement this system, but in the short-term you will save significantly on labor. This daily "cut" system is thoroughly explained to employees when they interview for a professional position at our spa. It is a fair system that certainly rewards staff based on seniority, yet significantly reduces overtime and "employees sitting on the clock" without appointments. Your payroll cost will be 40% versus 60% by using this system!

The procedure is as follows:

- Evening Prior To – The Closing Spa MOD determines necessary staffing levels needed for the next morning based on several factors:
  - Determine minimum availability needed based on the Resort's in-house count.
  - Reduce unnecessary "open" appointment times by consolidating the appointments in the computer to Senior Staff first.
  - The staff members who are "cut" are contacted via phone to inform them their morning has not booked, but they will be left "open for the potential to book in the afternoon.
- Morning Of - Same procedure is followed to determine staffing levels needed for the afternoon.

- Tracking System
- Keep a daily log sheet that notes all voluntary and non-voluntary “cuts”.
- This will be very beneficial if an employee later questions why he/she gets cut more/less than another employee. You will clearly be able to show the employee the comparison of hours worked and requests to be cut.
- These log sheets need to be kept with the weekly/monthly payroll records.
- Employee Hours Audits
- This is another very important tracking tool that is reviewed with the employee each month. A signed copy of the audit sheet is kept with that month’s payroll. This allows the employees to know exactly where they stand with their hours, as this could affect their full-time status.

**Alexandra Robinson, Spa Director, Topnotch Resort, Stowe, VT**

- Loose the Silo Mentality
- Cross training is key. You can keep your super star employees busy in the shoulder seasons while maintaining standards.
- Implement Yield Management Strategies
- Maximizing revenue in your peak times ensures that you can cover labor costs in the valleys.
- If you revenue-manage efficiently you can still ensure 100% flow through.
- Instill a shareholder mentality with your supervisors
- Implement bottom line based incentives for your key spa supervisory positions. This ensures that your supervisors have a vested interest in the spas financial performance and helps make for a tightly run operation.
- Adjust operational hours of certain departments
- If your facility opens at 6:30am, do you need spa concierge and locker area attendants present? If you follow the cross-train philosophy will a knowledgeable locker area attendant suffice until 8am?
- Salary verses Hourly
- Spas, especially those attached to a resort or with a membership program in place, are typically heavy flow areas. The general hotel mentality of using hourly staffing over salaried positions may not work in this example. By utilizing your salaried people, you can staff down on hourly and still cover all your bases with probably a higher caliber of employee.



*Alexandra Robinson*

**Samantha Cooper, Spa Director, Cranwell Resort, Spa and Golf Club, Lenox, MA**



*Samantha Cooper*

- Controlling labor costs is a dance that never ends
- The most effective means of controlling these costs are continuous monitoring and editing of service providers schedules throughout the day.
- You must be able to anticipate the day and adjust throughout to ensure you always have availability for your guests while ensuring that the availability does not create your payroll percentages to exceed your current needs.
- The guest experience must never be sacrificed
- You must always staff the common areas, e.g., even if you have only a few gentlemen in the men’s lounge there must be an attendant available.
- This can be a hard concept to believe in, but is essential to providing your guests a superior experience.

- Many spas are beautiful and offer every treatment one can imagine, but if the service levels lack, you have missed the mark.
- Create a team that is cross-trained
- The way we have found to cut our payroll when needed and still ensure availability and a proper guest experience is to put in place a team that is cross-trained and willing to assist in all areas of the spa operations.
- We have created a team culture where our supervisors are very aware of their budgets and our goals and strive to achieve those goals.
- Our lead esthetician and head therapist have worked very hard to ensure their team can perform almost all of our treatments, thus we can accommodate all our guests' requests while limiting our staffing levels if needed.
- Spa reservations
- This is another key area which cannot be compromised and must always be staffed accordingly. A missed call is lost revenue.
- Cross-training your staff to assist in both spa reservations and spa desk will enable you to staff both areas and handle all needs during the quieter times. This is not ideal during the busy seasons, but can be very effective at times.
- Manage with the budget in mind
- The most effective means to control your labor costs is to know your budget and live by it.
- If one manages properly and provides the guest with a superior product, then your payroll will be in line.

**Ella Stimpson, Spa Director, The Broadmoor, Colorado Springs, CO**

- Multiple skilled technicians
- Our technicians with multiple skills are the most flexible and the most booked. This includes esthetician/massage and multiple skilled salon techs.
- Through tuition reimbursement, send career massage therapists to school for esthetics.
- In the salon, we hire mostly cosmetologists trained in hair, nails and esthetics. They receive extensive on the job training.
- Our pay structure rewards the salon tech according to how many disciplines they do.
- One hourly for those with just one skill (usually nail tech or esthetics only); a dollar more per hour for those with two skills (nails and esthetics, or nails and hair); then another dollar per hour for those with three skills (cosmetologist or esthetician who went back to school for nails and hair).
- Seasonal recruiting at teaching schools for techs
- Go to local and regional massage and beauty schools to recruit graduates for the season.
- We do three fourths of our business in the 5 months from May – September. We bring in seasonal staff for 6 months – almost like an apprenticeship. We train throughout April so the staff are increasingly picking up the skills needed for our services and protocols. From May – September, we are staffed with qualified people.
- Through natural attrition, 3 – 5 of our best seasonal technicians apply to stay on full-time. Almost all of our full time staff originated as seasonal staff.
- Schedule and rotate opening and closing duties for therapists
- 40 minute opening and closing duties are shared and rotated throughout our working week.
- The majority of our stocking and clean up gets done during these periods so that the work day can be maximized for booking.



*Ella Stimpson*

- If you are not occupied with a booking but are on the clock, you chip in with a variety of chores from folding towels, to stocking, inventory, deep cleaning and so forth.
- H2B and International student recruiting for support staff
- As with our technical staff, we need to plus-up our support staff for our busy season.
- In addition to the ever popular seasonal college students (most of whom return year after year), we recruit short term (6 – 9 months) at international schools of hospitality and through the H2B Visa program (which is currently on hold at the national level).
- The H2B program with Jamaican employees was very successful for us with most returning for 9 months year after year. We are hopeful a H2B program will be approved by Congress for 2009.
- Cross-training for peak efficiency
- All of our managers are cross-trained to do each other's job duties.
- They are also able to assist with phones during peak periods or man any one of our three desks for lunches, emergencies, or at peak check in times.
- Likewise, all of our supervisors are trained to both open and close the spa, as well as our managers.
- Our reservations agents are able to help out at our guest desks when needed and all of our staff serve as valet staff as needed and during our slower times.
- Call off and early home strategy
- The next day's business is reviewed by the closing manager on the day prior.
- If we aren't busy, we ask for volunteers to stay home the next day.
- We cut our part time employees first, shorten the work day to mirror our business needs, and we have a list of people who like to be called off first on certain days.
- Our working day is also fluid and if we do not fill up as we anticipated then we cut shifts short and even close early. Even so, all of our full time therapists average 32-36 hours a week and our support staff average 35-38 hours per week. Overtime is very rarely given.
- Pay Structure
- Our therapists receive a better than minimum wage, but not that much higher, hourly wage.
- The bulk of their salary comes through our gratuity which is automatically charged at 20% of the service cost for each service.
- While this gratuity is voluntary, it is expected and almost always paid by our guests.
- Of the 20%, the servicing technician receives 17% with the remaining 3% going into a tip pool for support staff. Our concierge and valet staff shares that remaining 3% equally as per the number of hours worked that day.



Ryan Holt

**Ryan Holt, Spa Director, Sandestin Hilton, Destin, FL**

- Dual licenses
- Having therapists and technicians who can do a variety of treatments can make a noticeable difference in your payroll especially in the slower season.
- Instead of having a massage therapist and an esthetician on from 8am – 2pm at \$8.00 per hour with only 2 - 3 appointments each, you can have just one who is now fully booked without limiting the services you can offer.
- Cross-train the front-of-the-house employees and therapists so they can use their free time to help out other areas of the Spa.

- When giving pay increases, look at innovative ways to structure them so that when the spa is making more money, the employee makes more money.
- If you have therapists who make an hourly rate, base their increase off their commission rate instead of their hourly rate.
- By doing this, you are only paying them more when they are producing revenue.
- Flat rate commissions
- Keep your therapists/technicians on a flat rate commission structure so they don't make an automatic pay increase when the spa raises prices.
- Look for hidden talents in your employees
- Assign them specific jobs and responsibilities to give them a sense of ownership for

certain areas in the spa.

- Use the talents and interests of your staff to your advantage.
- Example: A front desk agent who has a background in marketing or event planning can help you design flyers for a special event without paying an outside ad company.

## CONCLUSION

I hope that you are able to use some of the practical, proven ideas above to help you to recruit, train, retain, motivate and compensate your staff so that they truly understand their role and value.

When you take care of your staff, they are better able to take care of your guests. When the guests feel that their time and money have been well-spent, they are more likely to be repeat guests and ambassadors in letting others know that the spa experience provided by your staff is something not to be missed. The staff generate the majority of the revenues and with the proper staffing program, there will be a strong profitability potential.

Many thanks to our expert Spa Directors for sharing their passion and success.

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