



# HFD Spa®

Spa Advisory Services for Fine Hotels, Resorts & Mixed-Use Developments®

## **SPA TRENDS: HOW HAVE SPAS CHANGED THEIR BUSINESS TO STAY IN BUSINESS**

**Judith L. Singer, Ed.D., ISHC...President & Co-Owner, HFD Spa**

**Reprinted with permission from HOTEL BUSINESS REVIEW/HOTEL EXECUTIVE: May 16, 2011**



**Dr. Judith L. Singer, ISHC**  
**HFD Spa**  
[www.hfdspa.com](http://www.hfdspa.com)

I have been a spa consultant for since 1983. During these 28 years, spas went from being loss-leaders to break-even to profit centers. More often than not, I saw that, for the most part, the lodging industry did not have high or even realistic expectations for a spa's tangible and intangible potential...it was typically under-estimated. HFD's advice to developers was always that when you build a multi-million dollar spa venture, you do it because you want another profit center and you want to enhance your "core" business, e.g., the spa should contribute to occupancy, room rate, additional revenue per guest, longer guest stays, etc. HFD has always approached spa development and management from a business perspective...the spa needs to have substance as well as sizzle.

While the economy was strong, most GMs thought their spas were doing well, but I don't think many of them really understood how well they "should" or "could" do. They did not realize that if the spa was really marketed and managed as a *business* rather than as a department, the spa profits would have been significantly better. While some lodging properties are "serious" about the spa being a viable financial asset, others have lower expectations and are content

with what I would say was a lack-luster performance.

When the economy faltered over the past few years, it forced the lodging industry to really examine every component of their overall lodging operation so all of a sudden spas (like all departments) were put under the microscope because they needed to be "serious" contributors to the bottom line. As a result, Directors of Finance needed to get more involved in terms of really examining spa financials, understanding what to measure and monitor and how to help their Spa Directors to understand what the numbers really meant. Many Directors of Finance were at a loss, and some still are, because the spa industry is not noted for doing a good job with benchmarking and creating useful metrics. Spa Directors needed either a new set of skills or an advanced course in the *business of spa marketing and management*. They needed a new set of financial tools so they could focus in on the key indicators that significantly impact their business.

I think the challenges imposed by the economic downturn have resulted in spas being more of a business center. It's been a tough learning curve, and there is still a lot to do, but I see more progress in terms of learning the business side of spa operations than ever before. The hard times have forced many spas to re-think and re-invent some of their business practices, and we are better off because of this.

In this article, I asked several Spa Directors to share what they did to make sure their spas would survive and what they plan to do to make them thrive. Sometimes we tighten our belts so much that we are doing a great job controlling expenses, but it inhibits us from generating revenue. I think the Spa Directors have presented lots of practical ideas. I also asked one of the more astute Directors of Finance to share his thoughts on what the Spa Directors have done and what advice he would give them and why.

I hope you take-away at least one idea that will help your spa be a more marketable and profitable business venture rather than a lazy asset department.

---

Health Fitness Dynamics, Inc.

P.O. Box 2024 • Pompano Beach, FL 33061 • USA (general mail)

1012 N. Ocean Blvd. • Suite 103 • Pompano Beach, FL 33062 • USA (packages/special delivery)

p 954.942.0049 • [hfd@hfdspa.com](mailto:hfd@hfdspa.com) • [www.hfdspa.com](http://www.hfdspa.com)



**Kim Parker, Executive Spa Director**

**The Spa at Pinehurst**

**Pinehurst Resort**

**Pinehurst, NC**

The years 2009 and 2010 were very tough economic years, and the downturn put a strain on everyone whether a family or a business. Room nights decreased significantly, and we all needed to work together to take actions to avoid harder decisions later!

The focus was to review and improve our business processes and practices and gain efficiencies while maintaining our focus on the guest experience. Senior leadership rolled out savings programs that focused not on job/benefit reductions, but on cost savings in our business processes. However, those programs were only a start. We challenged employee partners to ask themselves how they could have a positive impact on the financial success of our business. How can they increase revenues by "selling" and controlling expenses in keeping with our company philosophy?

### Employees/Benefits

- Majority of savings due to company hours audit criteria. Many full-time employee's status changed to part-time which reduced or eliminated benefits such as healthcare, vacation, PTO, etc...company also changed healthcare providers which was a significant reduction in costs.
- Did not fill the Assistant Spa Director position in 2010; however, that position is being filled in the 2nd Quarter. Year 2010 represented fewer people doing more work than ever, but the day-to-day operation must have a strong leader in position!

### Marketing

- No more direct mail pieces...all marketing and advertising using only e-mail and social media (Facebook and Twitter)
- Changed survey companies and saw a savings of approximately 40%.

### Other

- Gained efficiency through aggressively managing controllable expenses such as electricity, linen costs, product costs, operating supplies, overtime, etc.
- Closely monitored financials more than ever; keeping expenses in line with revenues. If you did not absolutely need it, do not buy it!
- Training was not compromised and should never be. Employees are your number one asset, and they are the reason we are in business!!!
- Capital expense budget was cut to almost nothing, only the "necessaries" were approved in order to maintain cash flow.



Call to Action....we created an environment of "we have the ability to make a difference now", not an environment of concern and/or fear. We encouraged more participation and discussion to ensure the message was clear - there are changes coming and how well we all react will ultimately determine how severe those changes will be.

We saw a significant turn-around in our spa operation the last Quarter of 2010, and 2011 is off to a great start. We have exceeded budget and prior year, and we increased our staffing levels 8%. The revenues and spa visits we are seeing compare to 2007 and 2008, and we are also seeing this increase in our resort room nights and golf rounds!



**Ryan Holt, Spa Director**

**Serenity by the sea Spa, Salon & Fitness Center**

**Hilton Sandestin Beach Golf Resort and Spa**

**Destin, FL**

There were several changes that we made in order to survive the economic downturn over the past few years. We will constantly evaluate the effectiveness of each and respond appropriately so as to strengthen our business. Below is a list of items that we did to help create more business.

### Discounts

- As much as I don't like doing discounts it has become our new reality.
- We've expanded our 15% local discount from just the off-season to now doing it the whole year.
- We have given larger and more frequent discounts than ever before to try to entice people to spend their money with us.

### Specials and Promotions

- We now have far more specials and promotions than we ever had before.
- With the decrease in disposable income, guests are much savvier when it comes to their purchases.
- The "just add extra value" approach isn't working like it used to. The guests want to see immediate savings over the normal price.

### Shift in Focus

- For us the summer months were all about our hotel guests and hotel groups. That just isn't the case right now.
- Our local clientele has to help anchor us even during the summer months.
- We have re-instated our local advertising during the 100 days of summer to help keep us relevant with our local guests.



The list below is more of the expense management that we have put in place to help maintain our profit margins.

## Labor

- Without a doubt, labor is our number one expense. The hotel has just lifted its 3 year freeze on pay increases for hourly employees. All salaried employees are still under the freeze.
- We have had to downsize our labor force and work with much less. We are currently without several key managers and supervisors in the spa, and we will have to wait to see how the business levels look before we can think about replacing them.
- Multi-licensed therapists are being used more often to avoid having an esthetician and massage therapist here, we can just have one here that can do both.

## Reduced Amenities

- We have changed our bottled water to a less expensive brand
- Reduced the variety of juices and fresh fruit we offer in the lounge area
- Linen and robes are used past their prime
- Reduced the amount of different products we use to become more streamlined

## Reduced Hours of Operation

- In the winter of 2009, the spa was closed on Mondays for spa services. This was the first time we have been closed for services other than remodeling, hurricane damage or Christmas.

During the economic downturn, we have learned a lot about what is really important to our guests. The economy will eventually get going again, but I have a feeling business will never be the same as it was. Not to say it won't be good, but I just think we've learned too much about what it takes to stay afloat. We're smarter and a little more resilient now.



### **Christie Ford, Director of Spa and Retail**

#### **The Homestead**

#### **Hot Springs, VA**

Located in the mountains of Virginia, The Homestead Resort Spa relies entirely on hotel occupancy to drive spa appointments.

#### Pricing

- Noting that there are times of high demand for spa and wanting to drive spa revenues during these periods, The Homestead elected to not lower its spa pricing (even though it is one of the highest in the industry.) but instead to target segments of low occupancy periods or low demand periods with specials or gifts with services.



## Treatments

- One of our most popular specials has been encouraging the guest to up-grade from a 50 minute massage to an 80 minute massage with a complimentary mineral bath soak. Deemed "Soaks on Us," this special actually increases incremental revenue by \$75 with the cost of the soak being approximately \$10. This has been a lot better for our bottom line than even a 10% discount on the service, and the guest perceives a great value with the complimentary service.
- Periodically the treatment supply area is inventoried for left over body product from past treatments. Special treatments are created utilizing these products and advertised at great prices. The guest gets a great treatment at a great price and we deplete our product inventory... a win-win for all.

## In-House Marketing & Incentives

- Complimentary spa gift collection for booking two 50 or 80 minute services. A high retail value is perceived for the spa gift collection with low costs associated and the guest is encouraged to partake in two services instead of one.
- Monthly specials that are posted on our website.
- When weekends just aren't booking like we anticipated, weekend specials are created that are advertised on a coupon card and given out at check-in.

So during these trying times, creating added value and perception is key to driving spa occupancy and maintaining margins.



**Libby Staples, Executive Spa Director**

**Omni Mount Washington Resort**

**Bretton Woods, NH**

In January of 2009, The Spa at the Omni Mount Washington Resort opened its doors. Opening right in the worst of the economic crisis was certainly tough, but I was also lucky in many ways. As a young director, I was forced to look at our operations critically and make needed changes from the very beginning. It has made me a stronger director and has made our business stronger as well.

### Operating Hours

- During our peak season we examined our hours of operation. The temptation was to extend our hours like we had done previously to respond to the increased demand. The reality though is that therapists are a limited resource. Increasing operational hours doesn't automatically translate to additional appointment availability. Therefore, we chose to study demand trends from previous peak times and concentrate on having the most appointments available during those times. Not only did we increase our top line revenue, but we were able to increase our profitability by minimizing our labor cost.



## Cross-Trained Staff

- Labor, as all directors know, is our biggest expense. Controlling it can be quite challenging. There is a fine line we walk when trying to staff adequately to meet guest service expectations and also meet the expectations of our Finance Director!
- We focus on cross-training as many of our staff as possible. We have a good number of our concierge staff trained to work at our spa reception desk and vice versa. We look to hire therapists who have multiple licenses. This gives us much more flexibility when staffing in those low demand times.

## Incentives

- Retail sales can provide an incredible boost to our revenue. We re-examined our incentives and tied them to percentage of retail to service revenue. Rather than having a flat commission rate, the service provider now has the opportunity to make more if he/she sells more. We have noticed a significant increase in sales since introducing this initiative.
- The other challenge with retail is having enough merchandise on hand without having to support a ridiculous amount of inventory. One thing that has worked beautifully for us is partnering with local artisans and selling their work on consignment. This gives us the ability to sell a local, unique product to our resort guests with no investment on our part. It also gives us the opportunity to get involved in our community and support the culture here. It is a win, win-win!

## Re-Organizing Our Management Team

- When one of my managers left to pursue another opportunity, it gave me the chance to re-organize the management team. I realized by bringing in a part-time hourly administrative assistant and re-distributing a few responsibilities, I could eliminate an expensive salaried position. This change was immediately noticeable in our labor cost.

## Vision

- The final change we made was the most simple yet took the most determination and focus. It is very easy in this industry to try to meet the needs of all guests. It is natural to try and be all things for all people. I challenged my team to come together to decide "what type of spa are we?," "what are we passionate about?," "why are we here?," "who are we here to serve?." By answering these questions, it helped us define ourselves. We were then able to review our service menu and really focus on offering services that truly fit our vision. Trimming away the excess has not only made us more profitable but has made us more confident in who we are and what we do best.

The unexpected gift of this struggling economy has been the opportunity to re-examine my management assumptions which has led to some important insights. Directing a spa is a delicate balance between meeting the needs of guests, owners, associates and that ever-present bottom line. The changes I highlighted have certainly served us well, but they may or may not be permanent. I have learned that being an effective director is not about finding "one size fits all" solutions, but rather responding to the changing needs of a living, growing industry.



**Marie E. Baumuller, Spa & Wellness Director**

**The Saybrook Point Inn & Spa**

**Old Saybrook, CT**

The economic times have challenged “spa” as we know it. Although we see guests being a bit frugal, they still want to feel good, take care of themselves and find value at the same time. We need to show loyalty and the commitment to truly delivering services that “make a difference” in enhancing someone’s lifestyle, self-esteem, energy, health, etc. I think it is fair to say that most individuals involved in this industry believe that a true spa experience can impact someone’s life. That message starts and ends with the guest.

## Special Packages

- We created a specialty package for our day guests which incorporated 2 services and lunch at our restaurant. We offered a significant discount to allow the local community the opportunity to experience the ambiance of our entire facility. We have created a following and have continued to offer this “spa special” of a one 60 minute service and one 30 minute service plus lunch throughout the different seasons. We will continue but will raise the price, incorporating another added benefit of a “make-up refresher.” We sell retail with almost every complimentary make-up application so what better way to ensure a guest experiences this free service by incorporating it into a package!! We continue to move inventory and increase retail sales!
- “Girl’s Night Out” was established in October, incorporating a lighter atmosphere in the spa from 5pm – 8pm each Thursday night. We offer 30 minute services (a selection of 5 treatments) for \$45. We include wine tasting, spa crudités, vendor showcases, raffles (donations by our great vendors) and a totally different atmosphere of light jazz music and camaraderie. We have attracted friends, mother/daughters, book clubs, corporate clients and more. It is something to look forward to and the energy is contagious. Retail sales and repeat business has increase from this evening out. We will continue this monthly event but change to twice a month beginning in April.

## Retail

- Education and retail sales have been a focus of EVERY SERVICE. Our retail sales have improved every month, and we have taken on the approach to ask and service from an educational standpoint. Again we have created loyalty, reorders and repeat guests.

## Spa Financials

- Watching our numbers in all areas is key. We have consolidated some responsibilities of our front desk and spa reservationist position. Motivating and sharing the spa budget/revenue goal with the whole staff as produced more buy-in and teamwork.

## Staffing

- Taking the time in hiring the right people is also important. I like to look for the passion in the work and then the ideas and the commitment just continue to increase! That has been key for



us in the last year as well. Collaboration on being successful as a business then becomes a group effort.

Crystal ball for the future looks bright. Guest loyalty is more important than ever. It takes 7 times as much money to market and find new guests than it does to retain the ones that we have. A happy guest tells a friend who tells a friend and business is on an uphill climb. Nothing new here, but the subtle reminder that we need to slow down, acknowledge our guests and pay attention to details. This is true of the staff as well. Thank you, please and "glad you are here" are words a team member will always appreciate!! I'm excited about where we are going!

I thought it would be interesting to hear from Ben Campsey, Director of Finance for an up-scale hotel with a spa, to see what he thinks about what the Spa Directors have done. I consider Ben to be one of the best Directors of Finance...he really understands the spa business and provides lots of guidance and "education" so the Spa Director at his property can maximize the spa's tangible and intangible potential. He has created numerous tools for his Spa Director to use to measure and monitor key metrics so that the spa can use this information when making decisions on hours of operation, staffing, treatment rates based yield management data, etc.



**Ben Campsey, MBA, CHAE**

**Director of Finance**

**The Umstead Hotel and Spa**

**Cary, NC 27513**

The hospitality industry faced a severe downturn throughout the most recent recession. Factors such as the reduction in leisure and business travel, and the stigma placed on business spending on perceived luxury caused double digit percentage decreases in revenue. The decline in revenues and margins have forced hoteliers to ensure that all outlets are maximizing their profit potential. To put it simply, there can no longer be justification for a lazy asset.

As key indicators are showing improvement, it is interesting to take a look at the strategies Spa Directors have enacted, along with what they are currently doing to maximize yield from current demand levels.

Kudos to the Spa Directors for successfully operating their spas during these challenging and uncertain times. There are many excellent strategies listed above that can provide value to an organization.

Of the strategies provided, the one that I am most in favor of is the cross-training of service providers and spa personnel. The greatest expense of operating a spa is labor and benefits, generally averaging 50-60% of revenues.

Service provider productivity is the primary metric to determine their efficiency. It is calculated by dividing the number of hours booked into the total hours available (hours paid to providers). A common occurrence is that several service lines will run highly efficient (80-90%), while others will fall to the 50-60% range. Not only does this impact a spa's profitability, but there are likely guests who cannot book the high demand services. All the while providers who cannot perform these services are on the clock and not booked. A spa with 20 providers operating at 70% productivity and paying therapists \$9/hour when not booked can add \$20,000 in profit per year by improving productivity just 5% points. Cross-training the providers and service personnel will help maximize profitability while allowing for growth and development of associates.





# HFD Spa®

Spa Advisory Services for Fine Hotels, Resorts & Mixed-Use Developments®

Among the recommendations listed above, I believe discounting is the most dangerous, and should only be done with careful analysis. Discounting will erode a profit margin quickly, and can also be damaging to brand image. A very simple calculation can show how a discount strategy can greatly impact a profit margin. A \$100 service, with \$50 in variable cost, yields a 50% profit margin. When a 15% discount is introduced, your margin is reduced to 41%, and your contribution margin decreases from \$50, to \$35. Here is where it gets really interesting. Based on the decrease in profit margin, a spa would need to perform 1.4 services at a discount, for every one service at full price to earn the same profit. I would then ask, did the discount really increase volume by 40%?

Spas that have had the ability to maintain price integrity will greatly benefit from rising demand and will not need to re-condition their guests with a price increase. Discounts can be successfully used, but I would recommend they be targeted and have a definitive term. Depending on whether this fits with brand positioning, Group On, Living Social and Jet Setter can allow a hotel, resort or spa to offer discounts for a set time frame, while exposing their product to a large, local population.

The industry appears to be poised to rebound from volatile and uncertain times of the past few years. As hotel and spa operators, we must adjust our strategies, take our fingers off the panic button and take some chances. The most successful operators will be those who are able to interpret the new demand patterns and yield the most profitable returns from them.

## **Conclusion**

I think the Spa Directors in this article have done a wonderful job in terms of marketing to bring more people into the spa, offering value-added programs and incentives, monitoring payroll and other operating expenses and over-all being good business people. I think many Spa Directors have had to acquire or fine-tune a totally new set of marketing and business management skills. I believe that when General Managers are looking to hire a Spa Director, they will want people who have successfully weathered through the economic challenges and have helped their spas to not only survive but to also thrive. The spa industry has changed especially in terms of learning to work smarter and to be more business-oriented. This is a good thing as long as they continue to provide excellent guest service; truly value their guests; and are fair and respectful to their staff. The staff are a spa's most important asset...it is fine to challenge them but don't stretch them until they break because this will result in poor guest service. It is unfortunate that it took an economic crisis to be the reason why spas finally focused on the "business of spa," but our industry was forced to face and respond to the realities what it takes for a spa to be marketable and profitable. There is still much that can be done in terms of continued business-skill training and having financial tools that allow spas to identify, measure, monitor and really understand the key metrics that drive profits. I think we are on the right track...spas should and do make money...now is the time to focus on business acumen balanced with gracious hospitality.

**Judith L. Singer, Ed.D., ISHC, President & Co-Owner Health Fitness Dynamics, Inc. (HFD Spa):** Judith L. Singer, Ed.D., ISHC, is the President & Co-Owner of Pompano Beach, Florida-based Health Fitness Dynamics, Inc. (HFD Spa) ([www.hfdspa.com](http://www.hfdspa.com)) an internationally recognized spa consulting company that specializes in planning, marketing and operational advisory services for spas within fine hotels, resorts, day spas and mixed-use developments. HFD is dedicated to helping spas be marketable and profitable business ventures. Since its inception in 1983, HFD has been the consulting firm to over \$750 million of completed spa projects. A partial list of clients includes: The Allison, Banyan Tree Mayakoba, Mount Washington Resort, The Umstead Hotel and Spa, Rosewood Mayakoba, Canyon Ranch in the Berkshires, Little Dix Bay, Four

---

Health Fitness Dynamics, Inc.

P.O. Box 2024 • Pompano Beach, FL 33061 • USA (general mail)

1012 N. Ocean Blvd. • Suite 103 • Pompano Beach, FL 33062 • USA (packages/special delivery)

p 954.942.0049 • [hfd@hfdspa.com](mailto:hfd@hfdspa.com) • [www.hfdspa.com](http://www.hfdspa.com)



# HFD Spa<sup>®</sup>

Spa Advisory Services for Fine Hotels, Resorts & Mixed-Use Developments<sup>®</sup>

---

Seasons Hulalai, Miraval, Malliouhana, Cranwell, Pinehurst, The Homestead, The Greenbrier, Bacara, Silverado and the Delano. Dr. Singer is the past chairperson of The International Society of Hospitality Consultants ([www.ISHC.com](http://www.ISHC.com)) and was on the ISPA Committee for the inaugural edition of the *Uniform System of Financial Reporting for Spas*. Dr. Singer may be contacted at 954-942-0049 or [judysinger@hfdspa.com](mailto:judysinger@hfdspa.com).

---

Health Fitness Dynamics, Inc.

P.O. Box 2024 • Pompano Beach, FL 33061 • USA (general mail)

1012 N. Ocean Blvd. • Suite 103 • Pompano Beach, FL 33062 • USA (packages/special delivery)

p 954.942.0049 • [hfd@hfdspa.com](mailto:hfd@hfdspa.com) • [www.hfdspa.com](http://www.hfdspa.com)