

Breakout Session: Agreeing on Performance Tracking and Benchmarking of Spas Worldwide

Tuesday, May 22nd

11:45AM – 1:00PM

Sutton Suite

Moderator: Anne McCall Wilson, Vice President Spas, Fairmont Raffles Hotels International, Inc., Canada

Panelists:

Peter Anderson, President & Founder, Anderson & Associates, California

Jan Freitag, Vice President, Global Development; Smith Travel Research, Tennessee

Andrew Gibson, Group Director of Spa, the Mandarin Oriental Hotel Group, Hong Kong

Professor Mary Tabacchi, Cornell University, New York

Jack Westergom, Managing Director, Manhattan Hospitality Advisors, Inc.

Contributors:

Richard Dusseau, President & Managing Partner, Spa Strategy, Colorado

Marco Murillo, CFO and Vice President, Shape Up House Co., Ltd., Japan

Format

The moderator started with an overview of the topic and issues. Panelists were asked to make an opening statement and there were a series of questions posed. LIVELY participation and debate from the panel and the audience followed.

Questions were: why benchmarking is needed, what do we need to measure, how do we make it relevant to a diverse business and who should / could collect it.

There was full agreement on the need for benchmarking data to improve performance, give credibility to our businesses and to attract investment.

There was agreement on a wide variety of measures but debate on key measures that could meet the success criteria the group set out.

The final recommendation of the session was to start with a test of a short list of measures and then to expand once underway. It was recognized that this limited it to one segment of the spa business for in the initial phases but at least could be done globally and consistently

This is now underway thanks to the participation of the panel and the lively audience.

Measures Listed in brainstorming

Spa Revenue Operating Performance

- Revenue per occupied treatment room
- Revenue per occupied hours per day
- Revenue per guest
- Income per guest
- Number of treatments per occupied treatment room/treatment place
- Revenue per occupied guest room (RevPOR)
- Treatments per occupied guest room (Capture)
- Revenue per treatment (total revenue generated per treatment including retail)
- Average treatment rate (average rate)
- Treatment room utilization percentage (occupancy)
- Turn away rates by time
- Gross margins (but all had different definitions)
- Revenue by guest type
- Profit percentage (GOP)

Investment

- EBITDA per sq. m. / Profit per sq. m.
- Return on capital
- Incremental revenue spa / spa as driver
- Revenue per sq. m. / Profit per sq. m.

Retail

- Percentage of total treatment sales
- Per therapist
- Per sq. ft. (per sq. ft treatment space)

Human Resource

- Revenue per EFTE (equal full time equivalent)
- Therapist Utilization against potential

Selecting the best measures – the Criteria

a. Issues on Measures

- Accuracy of collection
- Adherence to chart of accounts
- Ease and acceptance of accuracy of measures
- Narrowing parameters to equal levels –
 - Eliminate salon
 - Eliminate hair

- Eliminate members and fitness
- Eliminate non revenue producing areas - e.g. beach activities
- Inconsistency world wide of sq. m. And amount of outside space in some climates. Consistent would be air conditioned space

b. Key Success Factors

- Interesting vs. Actionable vs. achievable
- Available globally – consistent globally
- Need success to bring success – start early with smaller and grow
- Need benchmarking by type of spa and size
- Start with some leaders to participate and bring others along
- Must be able to collect the data
 - E.g. can we collect from wide day spa/independent businesses
 - Should there be a size of spa to ensure large enough to have business formal measures
- Need operational benchmarking
- Need investment ROI benchmarking
- Need way to look at seasonal at minimum if not by month.
- Trust of numbers given by competitors
- Must be competitive analysis (rev/treatment room) vs. internal performance (EFTE utilization)

Recommended Measures for Phase I

(Based on highest trust in numbers for accuracy AND relevance AND immediacy)

Collect information in four categories with the simplest measures to start

1. Revenue Number
 - a. Per treatments
 - b. Per guest
 - c. Per sq. ft.
2. Utilization
 - a. Treatment room occupancy (utilization)
 - b. Station occupancy (utilization)
3. Retail
 - a. Retail as percentage of treatment revenue
4. Employee
 - a. Employee cost as a percentage of revenue

Method for collection

- Independent
- Trusted
- Global
- Appropriate Governance in place

- *Smith Travel Research was recommended to start with hotel spas as a test*
- It was recognized that this would not directly benefit day spas and retail needs but this would be the quickest to pull together and meet the other criteria.

Following the summit (Next steps)

Smith Travel Research to undertake competitive benchmarking for hotel spas

- First ever competitive benchmarking for spa businesses will start
- ***Smith Travel Research will start*** with several hotel companies and start with backdating date for 2007 to provide a 2008 platform
- Collecting for 2007 and 2008: Revenue by segment, Rooms/stations and occupancy, Sq m. of air conditioned space
- Costs to be born by the participants and reports available to participants
- This is a direct result from the summit and the input and participation of the group