

Breakout Session: Spa Retail that drives Return On Investment

Monday, May 21st

3:15AM – 4:30PM

Beekman Suite

Moderator: Mark Wuttke, Principal, the Wuttke Group, Georgia

Panelists:

John Gray, President & CEO, Glen Ivy Hot Springs, California

Anni Hood, Group Director of Spa, Jumeirah, Dubai

Ellen Sackoff, Co-Owner & Creative Director, Cornelia Day Resort, New York

Dan Schackleton, President, Niki Bryan Inc & GF Spa Ltd, Florida

Contributors:

Yael Alkalay, Founder & CEO, Red Flower, New York

Sophie Benge, Consultant, ILA Organic Spa Products, UK

Davide Bollati, Chairman, Davines [Comfort Zone] Group, Italy

Barbara Close, President & Founder, Naturopathica, New York

Kerstin Florian, President, Kerstin Florian International, California

Lynne Florio, Worldwide President, La Prairie, New York

Mary Elizabeth Gifford, Creative Director & Vice President Global Brand Communications, Jurlique, Washington DC

Susan Harmsworth, Founder & CEO, ESPA International, UK

Geraldine Howard, President, Aromatherapy Associates, UK

Suzy Lang, National Retail Director, Spa Nordstrom, Washington

Jane Iredale, President, Iredale Mineral Cosmetics, Massachusetts

Megan Larsen, Founder, Sodashi, Australia

Mary Catherine Mundell, President, Caudalie USA, Inc., Texas

Jenefer Palmer, President, Osea Skincare, California

Dori Soukup, Executive Vice President, Pevonia, Florida

Todd Walter, CEO, Red Door Spa Holdings, Connecticut

Sally Zanetic, CEO, Sodashi, Australia

Moderator Summary:

Increased expectations from property asset managers, private investors, and hotel management companies that the spa be a standalone profit centre, not just an amenity is creating some enormous challenges to the spa community. This increased pressure however is helping spas discover just how much money they have been unknowingly leaving on the table.

It was unanimously agreed that once a spa reaches maximum treatment room utilization, the only way to truly leverage the business without additional capital investment for facility expansion, increasing hours of trade, or another price rise, is through retail.

When retail is seamlessly integrated into the guest spa journey without compromising the guest experience, spas have realized minimum revenue increases of \$200,000 to \$800,000 per year.

After our discussions with the panelists we realized that is not uncommon to find global spas achieving 40-50% of their revenue in retail, a far cry from the uninspiring USA industry average of 15-20%. Fiscally savvy spa operators now realize that treatments have always been the bread and butter of their spa business and retail can be the cream.

Panel Takeaways:

- If a spa is doing 15% of total revenue in Retail, retail contributes to approx. 75% of the spa's net profit contribution.
- Once you have maximum utilization, the only way to grow the business is retail. Time invested in retail training has proportionate impact on revenue and an exponential impact on profit.
- Vendors also win from retail as they receive a 10 fold better return on retail sales verses back bar.
- Spas that are a standalone profit center tend to have retail sales that represent 25% or more of their total revenue, verses 5-10% retail sales of non stand alone profit center spas.
- Spas that have retail sales over 25% of total revenue tend to have a dedicated retail champion solely responsible for the retail performance.

It is often said, “connect at the heart and watch the heads follow”. It was agreed if you can't have an emotional connection with your client, they won't follow your recommendation or advice.

Every person has a story. You might not be their biographer but listen to them if they tell it. We are innately narrative people. If we stop telling a story and start creating chaos then we lose focus and interest. Selling comes from information. Information comes from conversation. You need to engage the customer to be certain that the information you give TO them is relevant to the information you gained FROM them. Without this, all you will know is what they want - what they came in for - and that is all you will sell them.

It seems to be important to offer a wellness concept not just a product. People are no longer just buying products, but they are very attracted to a concept. It is important to anticipate and shape your guest's experience. Your concept must be a very authentic, simple self guided discovery which is rooted in healing.

People deserve to have organically human experiences every moment. Be interested. Be sincere. Be focused. Every person means something to someone. We are all worthwhile. Demonstrate your concept to your guests through your actions and words.

Panel Discussion:

Scribe: Fransisco Cunha

MW: Introduces guests and introduces the theme.

Retail Market in the US – US\$ 3,056,421,997,000

F&B – US\$ 456,942,288,000

Health and personal care – US\$ 177,947,091,000

L’Oreal – US\$ 15,700,000,000

Spa industry – US\$ 9,700,000,000

Spa retail (15% of revenue) – US\$ 1,455,000,000

MW: How significant is Retail in your business?

AH: It’s becoming huge. Jumeirah has been working on a retail model in Middle East looking to improve the revenue to 30%. They have hired a retail specialist and changed the commissioning structure, stretching the sales commission from 3 to 9%.

DS: There’s a need to develop a relationship with the product and a partnership with the company. People should hire retail experts. And it is important not to mix the Spa experience with the retail sale. Another thing is that our therapists do not do the selling.

JG: Skincare products sell more. Spa and retail have to be partners.

DS: Therapists have to be happy and successful. They have to value what they bring to the experience.

Someone in the audience referred the importance of marketing on the bottles – “The customer should remember yours!”

DS: Importance of brand selling is big. But training is essential: through product knowledge and demonstrations.

MW: The main question that people have when someone tries to sell them anything is: “What are you using?”

AH: Training: 50% of treatment and 50% of retail.