



## **Managing Multiple Operations: Insights from the Day Spa Arena**

Concurrent Breakout Session

Tuesday, May 19<sup>th</sup> 2009 11:15am – 12:15pm

La Salle Davinet, Victoria-Jungfrau Grand Hotel & Spa, Interlaken, Switzerland

**Moderator: Edwin Neill, CEO, Neill Corporation, United States**

### **Panelists:**

**Dzibordi Dosoo, CEO, Allure Africa Limited, Ghana**

**Teresa McKee, COO, Red Door Spa Holdings, United States**

**Neil Orvay, CEO, Sense of Touch Day Spas, Hong Kong**

*Scribe: Harminder Singh (Elmcrest College)*

Edwin Neill (session moderator)

The panel is here to share business ideas which have worked in our organizations – we are all primarily in the day spa arena. Each panelist will introduce themselves, their company and then give specific information which could be valuable for further brainstorming and discussion.

Neill Corporation is an AVEDA distributor serving a 10-state region in the Southeastern United States. Its services include product distribution, technology, education and retail design. We also have brands of spas, salons, and software like The Paris Parker Salon Group, Etopa, SpaBiz.

Our main concern is guest acquisition and marketing. Due to marketing online and e-commerce there is a 64% increase same **PTD TY over PY (Edwin please define)** and \$82,466 in sales same PTD TY over PY.

We launched a new summer ready hair package which generated sales from May 1 – May 12 and revenue of \$4314. We did a birthday email which totaled sales from Hair Week: \$138,000. Another birthday promotion generated total sales from spa week (4 Spa Locations over 4 days): \$28,000. We did a mother day special which in total mother's day sales (Gift Certificates): \$143,830 – 11.29%. Our goal was over by - .25% Over PY. Average gift \$125 purchase. Package revenue was \$27,311.

The online booking is a huge hit. Monthly average of appointments booked: 17,000. 100 on average are booked online. Online surveys promote new client campaign. Uses pure privilege membership of Aveda which is a great hit. We used billboards under marketing strategies. We are voted best by Sophisticated Woman Magazine in nails, facial, massage. We are also a member of Go Red Women - American Heart Association and do community outreach. We use Facebook & Twitter for new promotions.



#### Dzigbordi Dosoo

There is no spa which is recession proof and this has also hit the developing countries like Ghana where I am operating three locations. There was no existence of spa in Ghana three years ago when I started this venture. Spa is like a card game in Ghana. The biggest challenge there is education as there are no spa schools. So I brought in a team of trainers from the U.S and trained the staff to provide excellent service.

Most of the clientele are expatriates which work out to be 30% of our main market. The rest are corporations which contribute 50% of the market (big banks like Citibank, AIG, and other branded chains companies). 80% of the market needed a high standard because of their status.

We do a lot of road show, company meetings, street presentations like giving chair massages, etc. We use a lot of public relations in order to educate people about the spa and the benefits of spas. We are very consistent in branding, creating Allure beauty palace, Allure Spa in the City, Allure Man, Allure College. I have become known for the Butterfly logo, “butterfly lady.”

The strong and consistent brand image has made us successful. We are also marketing and advertising as the first spa in Africa and Ghana to open - a pioneer in our country. We have lost business with this economic crisis as most of the financial corporations have suffered losses. But we’ve changed some of our market strategy by going to these businesses and giving them express massage and mini-facials at the discount rate (but the spa actual rates were never discounted at the spa). To lower labor costs, we used therapists from the college, which helps them in training as well helps us increase profit.

Our main concern is to educate people about spa as they do not know about the benefits. Instead of waiting for clients to come to the spa, we are going to the public and giving them a short experience which will eventually bring them to the spa and increase our revenue.



### Neil Orvay

We operate in 13 locations in Hong Kong. 90% of our clientele are expats in which 45% are Asian and 45% are Western expatriates. 95% of our market is female.

70% of our customers are repeat clients. We put a lot of emphasis on customer retention as it saves money vs. marketing to new clients. We have discovered that it costs 5-7 times more to attract a new customer than it does to get a repeat customer. Our main focus is on client retention – 65% of revenue is generated by them.

Our second main focus is staff training. We put a lot of emphasis on the proper training of the staff. We train staff every six months to improve quality and that has resulted in increased revenue as a result of increased sales. We also give emphasis (and assistance) to therapist grooming which has affected the bottom line positively.

Since most of the business is from repeat clients, we also do loyalty programs for customers. We've collaborated with different service industries like Cathay Pacific airlines via a point system, memberships, Lifestyle provider, F&B, fashion, dating agencies, etc. We have produced 5000 booklets and mailed them to every client with the discounts listed on all services available from different companies. This saves money as the cost is distributed among many companies and it adds value to the spa brand by association. Big brand names are attached in the booklet which makes the spa brand look great and perceived at the same value.

From this promotion 800 new customers were added in the first quarter because the booklet was passed on to members of these companies as well. The fourth quarter was very strong and we were only down by 10% in December 2008 and January 2009.

We are also selling gift cards on eBay. The catchy slogan "Feel relaxed, feel at home at Sense of Touch" has also attracted a lot of customers.

We've hired a full time customer service manager to emphasize customer service and customer retention. We are also on social networking sites like Facebook and YouTube keeping in mind Generation Y.

### Teresa McKee

In 1910, Elizabeth Arden founded Red Door Spas on the principles that "the essential glow of beauty must come from within and that every guest should leave physically refreshed and mentally rejuvenated." Today, we continue to strive to perpetuate her vision through the Red Door Spa experience which delivers key elements that our guests expect from us on a consistent basis. We have 30 locations in the U.S. and one location in London,



U.K.

Our service mix consists of massage, body treatments, skincare, hair style, hair color, waxing, nail treatments, medi-services, and lifestyle and fitness instruction. Amenities offered are water features (pool, sauna, steam, hot and cold baths) spa cafes, exercise facilities, yoga & Pilates, spa events, loyalty programs, in-room services, wedding parties, and other group hosting.

20% of our business is from hair or salon services and waxing. Our signature wax service is famous all over the U.S. We also put emphasis on guest retention. Our business strategy to fight the recession is to build guest retention and control costs. We are also emphasizing and recruiting the best talent as there is a shortage of spa professional in the industry.

For marketing, we focus on Christmas, Valentine's Day, and Mother's Day gift certificate promotions to drive purchases. We promote Web-only exclusive offers and Print-A-Gift options to increase gift purchases on [www.reddoorspas.com](http://www.reddoorspas.com). There are a number of Summer/Winter Series promotions to increase retention and frequency of visits and a new Guest Reward Program. Our database marketing programs target repeat guests. Examples include: Refer-A-Friend Program and the Employee Privilege Programs. We offer a lower entry point for spa packages (we call it the Open Door Package) and it is available for \$99. We have introduced Time Saver Services for Face, Body and Nails. We also do retail promotions to drives private label sales and reduce inventory.

Our expense control initiative focuses on reducing and managing non-productive payroll. We monitor technician utilization and non-coverage. We reduce retail cost of goods sold by changing the mix of retail. We manage retail and supply inventory losses. We are reducing printing and collateral expenses seeking more motivated vendors. We are decreasing operating supply expense by renegotiating national vendor pricing and benefiting from economies of scale.

In summary, spas could navigate the current economic downturn by diversifying their focus: driving top line sales by recruitment and marketing programs; controlling expenses; dealing with non-productive payroll; pay attention to proper utilization; retail cost of goods sold (COGS); national vendor pricing; and economies of scale.

We have 2000 employees that are feeding 2000 families so there was a lot of attention when we started reducing the number of hours of work. We still have not laid-off any employee but we have readjusted their hours as we know there is a shortage of skilled professionals. In the future as the business grows and recovers from this economic crisis we will once again expand the hours of these employees.

## Q&A

*What kind of compensation strategy or structure is best for a day spa?*

**Teresa McKee**

Fixed + commission is the best for our company as it increased the performance of employees. Providing a fixed wage gives employees a sense of security and commission motivates them to grow.

*How can we see results that social networking like Facebook is really working?*

Neil Orvay

There are no proper numbers yet to prove that social networking is attracting new customers. We found that it's working for us through feedback from customers and by also doing a survey.

Teresa McKee

Some survey questions help identify how the spa is performing and each ounce of feedback we have from customers helps us improve standards and control. Our feedback form contains just a few questions as customers do not like to spend time filling out a page of questions:

We ask:

1. How was the service? Rate (1-10) 1 means the lowest and 10 means the highest.
2. Will you refer our spa to your friend? Yes or No

Also we use secret shopping. A lot of problems can be uncovered and it allows us to determine whether the spa is performing at its best and meeting objectives.



The Global Spa Summit is an international organization that brings together leaders and visionaries to positively impact and shape the future of the global spa and wellness industry.