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An Interview with Mindy Terry of Creative Spa Concepts on Spa Operations
By Jo Halpert
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When setting up a new spa or revamping an existing spa's operations, do you tend to follow the same operational guidelines or is your plan unique to each spa?

Both. We do have an overall formula and framework, though the details and outcome for each project is unique. Creative Spa Concepts has a 5-phase system to break down the developmental process.

The first phase is **Due Diligence**. Do your homework. Who is your target market? What are your local demographics? Is there a sufficient population that matches the national spa-goer profile? Can you draw in a clientele with sufficient disposable income to purchase spa treatments? Industry statistics like these are available from ISPA, the International Spa Association, and I highly recommend purchasing these. Take a look at your competition; how can you emulate their strengths and capitalize on their weaknesses? What can you do to set your business apart from the rest? Consider your Company's mission, vision, values, and philosophy. What type of experience will be created for your guest? Use all of this information to craft a concept for your spa.

Next, it is critical to determine if your concept will be feasible. Will the return on investment (ROI) meet expectations? It is important to calculate capital costs that the business needs to start up, as well as estimate a 3-5 year proforma identifying sales and cost projections for the business.

You need to ask yourself, "Am I going to see a return on my investment?" Many spa owners assume that they will see a ROI as soon as they open the doors. Often times they are surprised at the time it takes to build a business. Frequently they underestimate the amount of cash they need up front to sustain operations through the ramp-up period. Depending on the type and location of the business, CSC often recommends clients have enough cash on hand to operate the business for one year. Realistic financial projections will help determine what adjustments may be required to the concept to make the business more viable. We have worked on several projects where clients decide not to move forward as the amount of work required and subsequent ROI do not meet their initial expectation.

Once the concept is determined it is used as the guideline to base ALL decisions on in order to create a strong business identity and guest experience. Everything from the architecture and interior design, to the spa's products and equipment, to employee image and brand identity are guided by the Concept. At this point, CSC develops a Critical Path document detailing the steps required to open the business. Each task is assigned to the appropriate development team member with corresponding deadline. This document is then discussed with and distributed to all necessary team members.

When using the CSC approach, it is most important that spa owners share their unique concept and vision with everyone who is part of the development process in order to ensure the project moves in a consistent direction.

With financials completed and the vision of the experience clearly outlined, we begin phase two of the process; Design & Construction and Brand Development. It is at this stage CSC develops a sales, marketing and PR plan and begins spa menu and website development.

Phase three involves Operations Planning. In this phase, we take a look at required staffing levels, develop job descriptions and standard operating procedures (SOPs), write the treatment menu, determine required business licenses and insurance, retail planning, make any revisions needed to the financial projections, etc.

Phase four focuses on Human Resources; recruiting, hiring and training. The fifth and final phase includes all tasks related to physically preparing the facility for opening; construction punch list, clean-up, move-in, systems set-up, etc. Generally, phase four and phase five overlap so this can be a fast, furious and stressful time for owners and managers.

When evaluating the operations of an existing spa, do you tend to see the same operational challenges and if so, what would they be?

When the Creative Spa Concepts' team evaluates an existing spa operation we take a look at the following areas; guest satisfaction, business systems and structures, and financial performance, i.e. how do operating costs compare to sales? We determine employee satisfaction, evaluate the staff's education and skill level and determine if payroll is set-up effectively for the particular spa type and market. We look at service and product offerings and analyze sales, marketing and public relations efforts. Lastly, we evaluate the physical plant; is the facility clean and well maintained? Are additions or replacements needed?

Generally, we find that the majority of small spa business owners don't effectively track and analyze financials—particularly expenses in relation to revenues. It is hard to make sound business decisions without a view of the financial reality.

We also often see a lack of policies and procedures which clearly communicate to the staff their job expectations. At the time of hiring, job descriptions with clearly defined responsibilities need to be provided. This helps minimize the possibility of matching the wrong person with the wrong job. Once expectations are understood, employees need to be provided with the appropriate tools to effectively perform their duties. The role of the management team should be to clearly communicate expectations and then guide and assist staff towards achieving those expectations. Regular performance evaluations are important towards accomplishing this.

Lastly, effective sales, marketing and public relations methods are usually non-existent or not effective. New spa businesses need to start marketing their products and services before their doors open. Don't believe that 'if you build it, they will come.' There are many cost-effective strategies that can be employed for those businesses with limited start-up budgets. Your local bookstore can provide numerous resources on grassroots marketing strategies to help you get started.

Statistics show that the majority of spa businesses in the U.S. are small with 5 or less employees. Many of these spas are launched by cosmetologists, estheticians and massage therapists who have a dream to open their own spa. What operational procedures do you think these small business owners can learn from the larger spa corporations?

Whether you have one or 500 employees, it is important to clearly communicate expectations. Larger companies have human resources departments that develop job descriptions and company-wide policies and procedures. Additionally, each department has its own standard operating procedures. No matter the size of your business, these tools are valuable towards ensuring success.

The development of these items can be overwhelming and very time consuming. CSC co-authored a comprehensive Standard Operating Procedures Manual for the International Spa Association (ISPA). This comprehensive tool can be easily customized regardless of spa type and size. The manual is available to members for a nominal fee. Although membership may appear high, the value of the manual alone far exceeds the cost of membership. Additionally, many of the statistics I mentioned vital during the due diligence phase are included with membership, along with great tools to assist you with sales, marketing and PR efforts.

Larger spas also have scheduling software that tracks business levels, manages inventory and allows management to easily run and review reports specific to service sales, business levels, retail inventory, etc. If a smaller spa cannot afford this type of software, less expensive alternatives such as QuickBooks or simply developing a series of Excel spreadsheets can prove useful in tracking and monitoring finances. A part-time bookkeeper might also prove useful.

In short, having proper business systems and structures in place can help you more effectively run your business and assist you in making the best possible decisions for growing your business.

What are the top 2 or 3 operational problems that you see spa business owners or spa directors have consistently?

As previously mentioned, lack of systems and structure is a consistent problem. Small business owners often assume that their staff knows how to perform their job. They are then surprised when employees have a lackluster performance. Often times, the employees simply did not understand what was expected of them due to a lack of communication, which in turn leads to a high turnover rate.

Payroll structure is another common area where small business owners can go wrong by being either too high or too low. When CSC consults with a spa team on this issue and change is required, it is not uncommon to lose staff. Change is difficult for most people, particularly if they have been working in an environment where they are more generously compensated than their actual performance should dictate. To avoid pain and suffering in the long run, it is important to clearly communicate to staff and attempt to establish the right culture from the beginning. The bottom line to remember is that every decision made impacts the spa's bottom line.

Colleges and hospitality schools are now offering spa operations courses as part of their curriculum for spa owners and spa managers. How do these classes compare to a qualified spa consultant such as yourself?

A number of spa consultants have and are assisting schools with developing spa-related curriculum. Though, there is a challenge in finding qualified individuals to teach these courses. Those who qualify to teach at a collegiate level may not necessarily have the spa background to impart to students the benefits of hands-on experience. Some colleges are addressing this issue by bringing in spa experts to provide real-world information as guest speakers. Because the industry changes at such a fast pace, curriculum needs to continue to evolve.

When comparing the skills sets of spa consultants to college professors, it is important to keep in mind that consultants give more personalized attention in a one-on-one setting. Depending on the scope of work contracted, consultants often complete the work for you. Most of the time (although not always), you can be assured that a consultant has actually managed in a spa setting and understands the implications that your decisions will have on the daily operation. Professors work with groups in a class-setting and teach you how to do it yourself. They may lack the insight to provide you with sound and proven strategies for specific situations.

At this time, most curriculums focus primarily on daily operations rather than the development of a business. Nonetheless, these courses are a very valuable way to become more familiar with the industry. Students should keep in mind that they will need to adapt what they learn in a class to their real world situation.

About Mindy Terry

Mindy Terry is the President and Founder of Creative Spa Concepts, a leading full-service spa consulting firm specializing in every aspect of new development and ongoing spa operations. Ms. Terry is a frequently-sought-after presenter and educator for her diverse expertise in the spa industry including 17 years of working in, developing, opening and operating leading spas as well as consulting on luxury destination, resort and day spa projects.

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