

**SPA SUCCESS**



Spaformation, guided by founders **Robert and Julie Cass**, was formed to service the many fascinating and exciting areas of the spa and wellness community. Spaformation is a full service firm assisting clients from creation to finish of new spa projects and helping with the growth of ongoing spa operations.

With more than 40 years of spa and hospitality experience Spaformation brings a straightforward and honest approach to making positive change in business. Taking their experience of operating award winning businesses such as one of "Canada's 50 Best Managed Private Companies" Rob and Julie will direct and energize your team to greater results.

In order to continue the goal of expanding skills and professionalism in the spa industry Spaformation conducts intensive professional training in the following areas:  
 Spa Management Training  
 Spa Reception Training  
 Customer Service  
 Retail Sales

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*Forming the links to positive change.*

# HOW HEALTHY is your SPA?

BY ROBERT & JULIE CASS

Your days are full of treatments, meetings, deadlines and team member issues. In order to stay on top of it all you have to stay on the run. Right? Not really, if you want to see the big picture. Stay grounded with what is important to your success. The question is how often do you stand back and take a look at the overall health of your business?

In order to keep your finger on the pulse of your operation it is important to keep track of the items and areas that are most important to you in the overall health of your spa. Sometimes you may not be sure of what those key factors are so here is a TOP 10 list of what to watch.

**Bottom Line**

1. **PROFIT** – it may sound odd to you but many spa operators do not know what this number is. Are you profitable? How profitable are you? As a prudent spa operator you want to know the amount of the profit and also the percentage of the profit in relation to the revenue. It may be that the business profit is \$50,000 per year. This is appropriate for a spa that is generating \$400,000 is gross sales but not for one that is generating \$1,000,000. Make sure you now what is right for your spa so you can maximize your potential. Typically we expect to see between 10%-15% profit.

**Revenues**

2. **REVENUE GROWTH** – Is your revenue constantly growing? If you are a start up operation you want to see steady growth month by month. Once you have passed the one year mark you want to see the continuation of the month by month growth but also see growth when you compare the performance of the same month last year to the current year. As your operation continues you will look to insure that those corresponding months continue to grow year after year.

**Ratios**

3. **LABOUR COST** – Many spa operators do not calculate labour costs. It is the single biggest expense you will ever have in your spa so you had better know if it is in line.

We calculate labour cost as follows:

$$\frac{\text{Total Cost of Labour}}{\text{Total Revenue}} = \text{Labour Cost \%}$$

*(includes wages, benefits, bonuses, incentives, government deductions, (CPP/UIT etc.))*



Depending on the size and nature of your operation this ratio should be between 35%-50%. If your costs are significantly higher than that you will likely need to review your compensation strategy and your sales volumes.

4. **RETAIL COST** – this is the cost of the items you sell on a retail level in relation to sales revenue generated. It is calculated as follows:

$$\frac{\text{Total Cost of Retail Items}}{\text{Total Retail Sales Revenue}} = \text{Retail Cost \%}$$

*(includes cost of item, shipping and taxes (where applicable))*

This also relates to your retail pricing strategy. If you are marking up your retails products and items at 100% of their cost, or doubling the price, your cost target will be 50%. ■

## SPA SUCCESS

Items that will affect this cost are:

- discounts and sales to your customers
- discounts and sales from your suppliers
- shrinkage – theft and spoilage
- inventory count accuracy

It is important to count your items *monthly* to insure your costs are in line. If you do not you may not know you have a problem until the end of the year when it is too late to do anything about it.

5. **RETAIL SALES PERCENTAGE** – this is the amount of retail sales your operation generates in relation to the amount of service sales generated. We calculate this as follows:

$$\text{Retail Sales \%} = \frac{\text{Total Retail Sales}}{\text{Total Service Sales Revenue}}$$

This target will vary based on the type of spa (day, resort, destination, medical) you have, location (urban, rural), and the makeup of your services. Typically for a day spa operation we expect to see a successful spa operation having a retail sales percentage of 30%-35%. High performing locations will be operating at 50% and above.

If you are watching this target it will tell you if you what you need to do for increased sales. It may be more training, different products, better inventory control, etc. Your retail sales can make or break your spa profit so keep a close eye on this.

6. **PROFESSIONAL COSTS** – this is the cost of the products you use to perform services. This cost you want to be in the range of 7%-10% of your service revenue. It is calculated as follows:

$$\text{Professional Cost \%} = \frac{\text{Total Cost of Professional Products (includes cost of item, shipping and taxes (where applicable))}}{\text{Total Service Sales Revenue}}$$

It is important to know how much product is being used to deliver your services. Service protocols and proper training will help keep your team, and your numbers, in line.

### Operations

7. **GUEST SATISFACTION** – The guests are the only reason you stay in business so be sure you are delivering what they want. Be consistent and relentless in your pursuit of your guest's opinion and feedback. This can be an amazingly helpful process in your quest for constant improvement as they will tell you what does work and what doesn't.

Use available tools to help in your information collection.

Formal and informal Surveys – written, verbal, on-line. Client Retention Reports (manual or computer) – are they coming back again and again or are they just coming once?

8. **STAFF SATISFACTION** – Who impacts your guest experience the most? Your team! Accordingly you need to be aware of how satisfied your team members are working in your location. How you treat your team is a direct reflection of how they will treat your guests so make sure they are happy, happy, happy! By performing a mix of meetings and surveys, both verbal and written, you can get a good idea where areas of concern may be. This will help you get to those areas before they become a negative force in your business. One key way to see if things are going well is looking at your team turnover rate. If you are seeing a revolving door you need to look in the mirror and make some changes to keep your team happy.

Don't fall into the trap of just assuming you know how your team feels. Make sure you ask them directly and be open for what they have to say.

9. **PERFORMANCE APPRAISALS** – Inspect what you expect. By constantly reviewing the performance of your team members in relation to the expectations you have established you can keep your team happy and high performing. Every team member wants to know how they are doing so make sure you are conducting your performance appraisals regularly throughout the year. Good job descriptions, clear employment agreements and a well designed appraisal will be a terrific support in helping make this task efficient and fruitful. Remember although this is a time to work out any challenges it is also a wonderful time to celebrate success!

10. **PHYSICAL INSPECTION** – When is the last time you took a good walk around your operation and identified any short comings, damages, or problems? You walk in the door each day and can get very used to seeing something that is wrong without the mental recognition that something has to be done about it. Have you ever walked into a business and seen a light bulb burned out and seen the same bulb burned out two weeks later? Don't let this happen to your spa as the guests want to know you are looking after the place. It makes them feel safe and that they can trust you to take care of them too.

At least once a month make it a point to walk around your business to look for problems. It may be a scratch on a wall, a crooked piece of art, or a damaged piece of equipment. Once you identify the problem make a schedule to get it fixed. Your guests will love it and so will your team as they will be proud to work in a spa that is well maintained and cared for.

By watching and maintaining items #2 to #10 you will keep your spa running smoothly and item #1 will take care of itself. Keeping your spa healthy will keep the profits healthy too! ■

Need help with your spa?  
Contact [help@spaformation.com](mailto:help@spaformation.com)  
to support the health of your spa