

THE BUSIER YOU ARE THE MORE YOU SHOULD PLAN

Practical Planning: PREPARE FOR YOUR FUTURE

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Good business plans are practical. Business plans are the roadmap necessary to opening a profitable spa. Yet, many spa owners only take the time to create a business plan when forced to by an investor or a bank. Often times, the excuse is the owner is too busy to write one. Funny thing is, the busier you are the more you should plan. It makes little difference whether you have been in business for years or are just now thinking about opening, taking the time to create a business plan makes good sense.

A business plan should be an integral part of your spa. The document that details your business' history, current standing and most importantly, future plans. Well prepared, a business plan is realistic with productivity and profitability yet hopeful, with appropriate optimism about the future.

CLARIFY THE VISION

If your dream is to own a medical day spa or expand an existing practice to include spa services, the first step is to clarify the vision. Clarifying the vision means more than knowing what you want the spa to look like. Many spa owners do not give enough attention to the necessity of planning. Start with the

basics, first and foremost. How many treatment rooms would your perfect spa have? How many hours per day and days per week will the spa be open? Take into consideration the area and demographics of your target clientele. Then calculate what you will be able to charge for different services offered. How long will each of those services take to complete? Planning and being realistic about what the business can afford is necessary before committing to any given direction. With the vision of spa ownership clarified, the next step in creating a practical business plan is identifying realistic assumptions of revenue. Correctly calculating revenue assumptions can be the key to the success for your new medical spa.

REVENUE ASSUMPTIONS

Making assumptions about the future of a new business is always challenging, however it is absolutely imperative to be realistic, if not cautious when making projections. Since you have identified the core vision for the spa by answering the above, now you can begin to calculate revenue. Start by figuring out how many treatments per day each room can generate, assuming each room is completely booked. Then multiple the number of treatments per day each room generates by approximation of the service price. Since different

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rooms may be used for different services, be sure to estimate appropriately. A room that is slated for massage therapy will not produce as much revenue as a treatment room that slated to be used for laser hair removal, for instance. After taking this into consideration, total up the revenue that could be generated by all treatment rooms, assuming the spa is 100% booked. Unfortunately, we cannot stop our calculations there. We need to continue on with the goal being to identify an assumption that is closer to a more realistic number, which we will call Actual Capacity Assumption. If you have an existing medical practice that is well-established, profitable and has a strong internal marketing program in place, it would be a fair starting point assumption to project the spa will be able to operate at 20 to 25% capacity at the opening. If you are a new owner, a more realistic assumption would put capacity at 10% as a starting point. By taking the Assumed Revenue of 100% occupancy and multiplying it by the more realistic percentage for the opening, you have now identified an 'Actual Capacity Assumption'. From this starting point, you are then able to project growth at a reasonable rate, a good rule of thumb being 3 to 5% per month, with the ultimate goal being to reach 75% Actual Capacity after several years. If the above assumptions appear low, remember it is always better to exceed projections, than fall short. The next step in Practical Planning is to map out the different categories that need clarification and prioritize.

RETAIL AND EQUIPMENT

Deciding what retail to open with or to add to an existing spa can be a good time. Meeting with representatives, going to trade shows, testing and experiences services and ultimately, falling in love with the perfect product that your spa 'has to have'. However, emotionally committing to a product line or equipment manufacturer without examining if the spa can afford it can be detrimental. "It is a common mistake of future medical spa owners to

work backward without realizing they are doing so," says Bryan Durocher President of the consulting and coaching group, Durocher Enterprises. "Finding the 'perfect product' or purchasing equipment before preparing a solid, practical business plan can mean the difference between the spa barely surviving and the spa profitably thriving." Retail and equipment practical planning means making the cost and profit margin the priority. In order for a medical spa to be profitable in a treatment room, the product cost cannot exceed 12% of treatment cost. This includes lower costs with traditional spa services along higher investments necessary with the likes of injectables and Botox®. Many spa owners are unaware how much it costs for each treatment to be performed. Chances are, those who do not know, are not maximizing the spa's profit potential. Purchasing equipment without knowing the exact R.O.I. (Return on Investment) is another pitfall many spa owners face. For example, the upfront cash expenditure for the equipment does not reflect the fees associated with maintaining the equipment over a long term. With new technology arriving in our industry almost weekly and the sometime hefty initial investment required, spa owners must be savvy about what equipment to bring on. Being aware of future cost of doing business is imperative when creating a realistic and practical plan and should always be considered.

OPERATING EXPENSES & PAYROLL

In spas, we are faced with a unique challenge, the dramatically high operating expenses spas usually carry. The average payroll burden of a spa is statistically 40 to 65% in comparison to the nation average of 20 to 35% in other industries. This operational statistic is real and needs a strategy with practical planning to make it viable for your business plan. Bryan Durocher, International Educator and Speaker states "for medical spas to be profitable it is imperative for the service provider

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compensation to be tied directly to production." Taking it a step further, medical spas should consider offering production incentives to the support staff as well. Offering team and individual incentive programs for the whole staff is a practical approach to minimizing payroll burden while maximizing opportunities for the staff and spa to profit more.

A business plan includes multiple parts of implementation for every one part of an idea. Taking the time to map out a strong offense for our industry's toughest challenge, payroll, makes good sense. Allotting appropriately for six months of operating expenses is also necessary to include in practical planning. Some spa owners have built amazing facilities with top of the line equipment and products only to find they have run out of funding to support the business itself. The rule of thumb in the spa industry is when business planning, allot a minimum of six months for operating expenses. Being conservative in revenue assumptions prepared your spa for realistic projected numbers, however preparing your business plan with six months of operating expenses worked in, provides a strong foundation for you to open the spa and focus on the task at hand, taking care of the clients, not worrying about the overhead.

MARKETING

Developing a strong marketing plan is integral for the success of any medical spa. Gone are the days of 'If I build it, they will come.' This old adage can be modified into a better working statement, 'If I plan for it, they will come.' Begin by creating an outline, allotting resources for graphic design, menus and collateral material, website design, exterior signage, association memberships, photography, advertising and a public relations firm. For the opening of a spa, many of the above can be fixed costs. Researching and identifying the team that will assist with creative tasks early in the business planning stage

will save time, money and energy. Remember, the primary goal of the marketing section is to map out how you are going to get clients to buy spa services and products. Next, map out in detail your sales strategy, positioning in the community, pricing, margin structure, discounts offered, current selling methods and marketing responsibilities.

The spa industry is considered a service industry; however having a practical plan for sales is where it begins. The marketing section of the business plan is where you can define who will be responsible for what, the expectations of the service providers and staff members in sales, how the expectations will be measured and how the entire team will be trained to sell. Lastly, when you are writing a marketing plan, you need to develop a detailed Advertising and Promotion section. Develop and clearly outline the objectives for capturing media attention, incentives for clients, where advertising will be placed, such as local print magazines and internet resources. Include what financial resources are available. Plan for the future, by providing a monthly promotion schedule of events the spa will host. This can include strategies to attract new clientele, develop a presence in the community through sponsoring charitable events, as well as mapping out possible synergistic partnerships with other businesses in the area.

Many spas plan to offer complimentary seminars and demonstrations of services provided. There are literally thousands of promotional avenues available, practical planning allows you to focus in on the one right for your medical spa.

Creating a business plan that is practical allows you to be sure you know everything you can about your spa so you can realistically assess opportunities and risks. It pushes you to think through all the details involved and to find answers to challenges before you waste time and resources. Remember, Failing to Plan is Planning to Fail. Successful and profitable spas begin with practical planning. ■