

Spa Revenue Maximization

Presentation

- Yield Management - definition
- At a spa?
- Methods
- Workshop



Yield Management

Definition

- Understanding, anticipating and influencing guest behavior – to maximize profits
- Started in airline industry – people now understand it well – now hotels
- Sell every spa hour to the “right” customer at the “right” time for the “right” price *



* - Kimes, Singh 2009

At a Spa?

We should have

- Perishable Inventory
 - ✓ is the time during which the spa's capacity (both rooms and therapists) is available
 - ✓ every hour that goes by with an empty treatment room is a lost revenue opportunity
- Variable Demand
 - ✓ guests come more often on weekends/weekdays evening, etc
 - ✓ hotel guests vs local guests vs corporate guests
- Fixed Capacity
 - ✓ there is a fixed number of rooms and therapists



At a Spa?

We should have

- Sales through reservations
 - ✓ can be in advance, last- minute, hotel packages
- Ability to do multi-pricing
 - ✓ different published prices, discounts, specials
- Low variable costs
 - ✓ we have high fixed costs (construction, salaries) and low variable costs (products)
- Pricing as a powerful driver
 - ✓ influences guest behavior and if we increase the revenue we will have a high increase in profits
 - ✓ price-sensitive guests will be willing to book at an off peak if they can get a discount
 - ✓ different pricing or discounting should be perceived as fair!
pay more for peak hours/pay more for room with a view, etc



Methods

Booking Strategies
Peak hours or
Slow Periods?

Menu structure
and design

Look at profits
and not sales revenue!!

METHODS

Agents / Hotel Sales
Special rates

Have a strong marketing
presence



Methods

- Peak periods!
 - ✓ increase the number of guests in your spa at the maximum price by better managing treatment time and limiting discounts
 - ✓ capture the guests that are willing to pay the price without discount
 - ✓ manage well the times between treatments – staffing is important
 - ✓ have no show or late fees
 - ✓ impose duration limits for treatments
 - ✓ limit the number of low margin services you can book in one day
- Off Peak periods!
 - ✓ use promotions and discounts to increase the number of guests at the spa
 - ✓ when booked in advance – offer off-peak periods first
 - ✓ target special guests – local guests, corporate, hotel guests in special packages
 - ✓ offer "price advantages" on future bookings
 - ✓ give special rates to agents and hotel with framed times



Methods

- Menu Design
 - ✓ high Profit treatments first and most appealing
- High or Low Profit??
 - ✓ use your P&L statement and account for treatment revenue and costs
- Agents/Hotel Sales Specials
 - ✓ establish booking limits, force pre-booking and off-peak
- Marketing Presence
 - ✓ hotel spa – in-room, spa counters, hotel website, hotel TV channels, spa website
 - ✓ city spa – magazines, flyers, spa website



Workshop

Use your booking strategies!!

Name of treatment	Duration	Selling Price US \$	Cost Price US \$	Cost %	Profit per Treatment
Spa Package (foot bath, body scrub, flower bath, massage)	2 hours	US \$75	5.00	6.66%	\$70
Luxury Skincare Facial	1 hour	US \$60	15.00	25.00%	\$45
Warm Stone Massage	50 mins	US \$40	3.50	8.75%	\$36.50
Basic Massage	50 mins	US \$32	3.00	9.37%	\$29
Spa Manicure	50 mins	US \$18	5.00	27.70%	\$13



Don't Forget!

- Guest experience is key!!
- “Right” means achieving the most revenue possible for the spa while at the same time delivering the greatest value to the guest.*
- Remember retail is also revenue!
- Add-ons are a great way to boost every hour’s profitability.
- Train your staff well on treatment profits and all booking and RE-booking strategies.
- Remember appropriate staffing!
- Check regularly if your strategy is working!

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