

spa business

HOT NUMBERS

2011 SPA-GOER TRENDS

Spa deals and retaining customers



TOP TEAM

Hilton Worldwide

Ryan Crabbe, Dave Horton,
Tyra Lowman & Vanessa Main

SPA SPOTLIGHT

Dubai, Japan
and Jordan

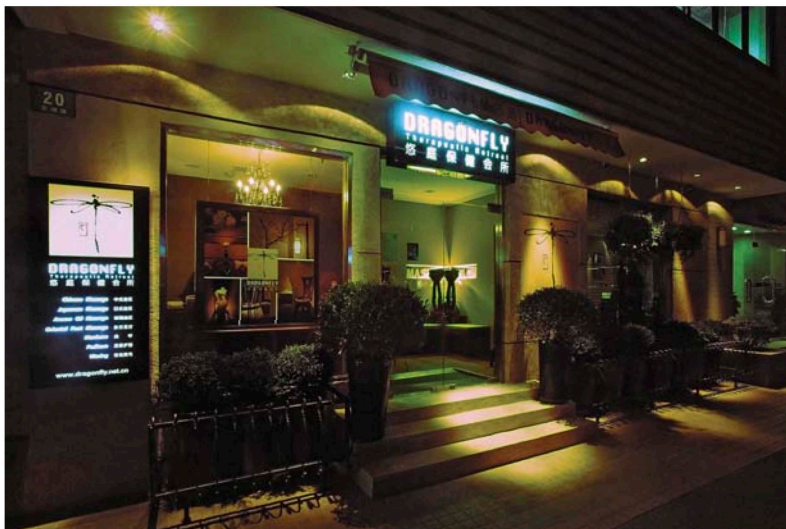
ESPA Life

Susan Harmsworth on her
new wellness concept

Parisian spas

Andrew Gibson introduces Mandarin Oriental; and Spa My Blend by Clarins

ASK AN EXPERT: FRANCHISING - A NEW BUSINESS MODEL FOR SPAS



Dragonfly has 21 franchise spas in China and aims to have up to 80 within five years

ASK AN EXPERT...

FRANCHISING

Global Spa Summit
JOINING TOGETHER. SHAPING THE FUTURE.

Delegates at this year's Global Spa Summit (see p38) were gripped by a panel session which highlighted franchising as a new model for spa businesses.

Set up and delivered by GSS board member Pete Ellis, the session revealed that while franchising is still in an embryonic stage in the spa industry, it is growing quickly and can be extremely lucrative. CG Funk, VP of industry relations and product development for Massage Envy – a US chain which launched eight years ago – said that her business had a network revenue of US\$652m (£464m, £406m). As an established brand, it also attracts a wider audience compared to most other spas – 22 per cent of Massage Envy's clients, for example, have never had a massage before.

Other expanding spa franchise chains represented on the panel included Wood-

Could franchising be the best way to grow your business?
We pick the brains of companies which have cracked this model

house Day Spas – also from the US – Dragonfly Therapeutic Retreats based in China and Malaysia's Skin Essentials Spas.

Another advantage to franchising is that owner/operators are likely to be more hungry than a general manager, since they have a financial stake in the business. So they can be great ambassadors for the brand and brilliant at building and motivating a team.

But, could this mean they would be harder to control than a manager? Certainly, in Malaysia and China this would appear to be

the case, with franchisees receiving all the business details, but then wanting to take matters into their own hands or not doing all they can to develop a territory. If it does go terribly wrong, how easy is it to end a franchise agreement? And what kind of paperwork and legalities should be drawn up in the first place?

Also, is it a gamble to leave your brand reputation in someone else's hands? How do franchisors retain control and ensure franchisees are upkeeping the brand and maintaining standards? How do they make sure that therapists stick to treatment protocols and don't start freestyling with the signature service? In addition, how can franchisor keep control of an ever growing portfolio?

We ask the people on that original GSS panel about their companies and advice...

Woodhouse was formed 10 years ago and has 26 locations in 13 different states in the US. We set out to take spa from luxury to necessity.

Later this year we will open our first site overseas, in Punjab, India. This 15,000sq ft (1,393sq m) spa has been adapted to suit the local market: it will offer memberships, a salon, a gym (for male appeal), yoga, pilates, a café and a bridal suite, as this is a big market in India. The day spa franchise concept is new to India and we chose to start our international development there as our franchisee is very familiar with the area. After eight years of setting up our systems, we are now ready to really focus on the development side – domestically and internationally.

We offer 35 treatments – mostly ayurvedic and very results-orientated – and we worked with holistic and certified organic lines like Amala, Naturopathica and Arcona. What sets us apart is what we call the Woodhouse Experience: little details, such as our signature oil and handwritten thank you notes.

JENI GARRETT

Founder and CEO,
Woodhouse Day Spas, US



franchisees with their budgeting on an annual basis. There's an online support village where they can blog with each other. There are eight marketing promotions a year with tools to deliver

this. Franchisees do their own recruiting, but we provide the tools and resources for this.

Protecting the brand is our job, so we have a very fixed policy and procedure manual and all staff are well trained and drilled to stick to protocols. We ask franchisees to do compliance surveys and all guests are given a comment card. All of our treatments are costed-out down to the cotton balls, so if we see a deviation in product costs we can trace it.

A decentralised system and dealing with many personalities is the biggest challenge of franchising. We have to make sure that we protect the brand by clearly communicating our vision and making sure this is properly understood. We have been very selective with our franchisees, which is why we haven't grown as fast as we could have. We're in constant contact with our franchisees: studies show that the happiest franchisees are those who feel they are heard.

All of our franchisees are from outside the industry: some have been in corporate America and laid off, retired, or just want to be their own boss. Others are entrepreneurs

Garrett launched Woodhouse Day Spas in 2001 as a young student at the University of Houston and University of Victoria, and a year later took the concept nationwide. Details: www.woodhousespas.com

Dragonfly launched in 2003 (see SB09/4 p20) and we currently have 21 'spa shops' in seven cities in mainland China and Hong Kong. With the fast economic growth of China's second tier cities, we believe we will have 50 to 80 shops in China within five years.

A typical retreat is 250 to 350sq m (2,690 to 3,767sq ft). We don't offer water treatments, our core services are Chinese (tui na), shiatsu, head and shoulder, Oriental foot and aroma oil massages. A standard massage, without oil, is US\$25 (£18, £16). We also combine treatments into one or two-hour packages and sell memberships, which entitle customers to discounts.

The decision to start franchising was down to interest from customers wanting to get involved. Our first franchisee didn't have any spa or retail experience, but lived in one of the expat enclaves within Shanghai. We decided this would allow us to expand into a new loca-

RANDAL EASTMAN

Vice president, Dragonfly
Therapeutic Retreats, China



found ourselves shut out of lucrative markets while franchisees sat on their hands.

We provide our franchisees with a turnkey solution and ongoing services include maintenance of

tion and provide a test bed for us to learn some of the nuances of franchising first hand.

A passion for the brand is one of our main franchise requirements, as well as enough working capital. They also need to have a commitment to top notch customer service, respect for the system, attention to detail and show initiative to develop their business.

An initial franchise fee is charged, along with a design fee. Ongoing costs include a monthly royalty fee, monthly advertising minimum spend and training for new hires. If the franchisee wishes to secure a territory, they must negotiate a territory development fee, which is tied to an appropriate number of shop openings, with annual milestones they must meet. We learned to set territory milestones by painful experience, as we

the IT system, as well as support for marketing, graphic design, CAD for renovations, recruitment, staff training, benchmarking, management coaching and quality control. In 2007, the Dragonfly Academy was established to deliver in-house training. However, franchisees are still responsible for recruiting.

Maintaining the consistency of the spa experience is one of the biggest challenges, as sometimes franchisees want more independence. We use a number of tools to maintain standards: daily sales reports, weekly staff meetings with managers, weekly visits to all shops, mystery shopping reports and customer feedback forms.

Eastman has been a partner in Dragonfly for six years. Details: www.dragonfly.net.cn