



Using advanced features of your management software can really save you money.

THE COMPUTER HAS BECOME A UNIVERSAL BUSINESS TOOL, EVEN IN HIGH-TOUCH businesses like spas. Spa usage began with simple accounting software to handle accounts payable, accounts receivable and payroll. But with the advent of spa- and salon-oriented programs, we began to use computers for our point-of-sale database, inventory management and, eventually, to book appointments.

Today, a majority of spas and salons use a computer software management system and have learned the basics of booking appointments, checking in clients and ringing up transactions. But few have put much thought into how to use their computers to make more money or better control expenses.

It isn't uncommon for a spa business to use software daily without ever utilizing some of the more advanced features and concepts that are also part of the program. According to Matt Scudder, process manager at Harms Software (harms-software.com), the maker of Millenium, 85% of their clients use only 50% of the program's capabilities program. Part of the reason for this is time: Spa software is much more complex than it was even five years ago, and it can be difficult to commit to the time required to learn all of the features. The other challenge is the lack of a frame of reference—if you don't know what kind of information your system is tracking, you wouldn't think to ask for reports on that information. But the potential profit increases—up 45% to 50%, according to Paul Pagliaro, president/CEO of Toronto-based Milano Systems (milanosystems.com)—should make any spa owner more than willing to take the time to learn some new software tricks.

Computer Toolbox

By Lisa M. Starr



Front Desk Efficiencies

To see how computer systems can make a spa more efficient, consider a spa with both a reception desk and a reservations room. Based on operating hours and advance bookings, management will obviously want to staff these areas with more people on busy days and fewer on slow days. Creating a graph from computerized sales data shows *exactly* when the busiest times are for point-of-sale stations at the front desk and booking stations at the reservations room, taking the guesswork out of scheduling and saving wasted employee time. Take the example one step further: If the system can track how long it takes each individual employee to book an appointment or ring up a sale, the spa could then staff its front desk with the most efficient workers on busy days, cutting down on client wait time. Training programs could also be developed for those employees who need them most.

Room tracking and allocation can be targeted by front desk personnel as well. According to Pagliaro, software can track both individual rooms and individual pieces of equipment in those rooms. This allows staff and management to instantly decide how best to allocate space for requested services.

Daired Ogle is the CEO/owner of the 17,500-square-foot Daireds Salon and Spa Pangéa (daireds.com) in Arlington, Texas, which serves more than 1,000 clients per week. Daireds uses a computerized beeper system to notify service providers when their clients have checked in for their services. Ogle reports that without this feature, the spa would need two more cus-



tomers to accompany clients to the service areas. Assuming that a full-time customer service staff member would cost the business at least \$20,000 annually, that's a \$40,000 annual savings, more than paying for the cost of Ogle's software just through this one feature.

Marketing & Retail

Large companies use customer relationship management (CRM) programs to maintain and enhance relationships with their clients, and spa software has many of the same capabilities. Says Frank Pitsikalas, president of ResortSuite Software (enablez.com), "It's more than just capturing historical data and purchasing patterns. You can also record a guest's preferences and issues, which can then be shared between technicians, so that service can be delivered consistently each visit."

Once you have customer preferences and histories in your database, you'll be able to market to clients on a more personal level. Discontinuing a product? Send a mailing to everyone who bought that product in the last six months. Haven't seen someone in a while? Send out an email to all clients who haven't visited in the last eight weeks.

Millenium has created an email system that resides on your own server so that when you send out an email blast, it won't be labeled as spam,

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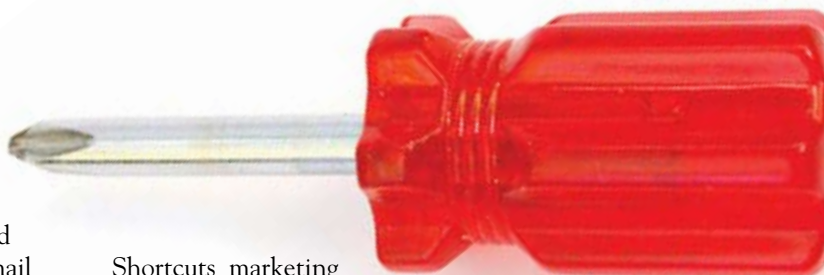


increasing the likelihood that your clients will receive it. Using email to communicate regularly with clients costs a fraction of what direct mail does, and presents an extremely targeted audience. Many spas send out nightly opt-in email blasts of next-day openings, often with a promotion, and report increased productivity as a result.

Using ResortSuite, spas can equip treatment rooms with notebook PCs, which can even be tucked in a drawer, out of the sight of the client. These can be used to record guest preferences and potential retail selections so that the front desk can have those products ready upon checkout, all without the technician having to leave the room. Using a system like this can raise your retail-to-total-sales ratio without having to hire additional staff.

Raising retail sales would be a reasonable goal for any spa, and computer software can help you break down staff sales goals into more manageable bits. Rather than encouraging employees to raise their retail sales ratios by a certain percentage, break down the goals into units. Shortcuts Salon & Spa Software (shortcuts.net) provides a chart showing the impact on your annual sales of selling just two additional units per day per therapist:

Target daily unit increase	2 units
Number of employees	9
Average product value	\$12
Total \$ increase per day	\$216
Days in a work week	6
Total \$ increase per week	\$1,296
Total \$ increase per year	\$67,392



Shortcuts marketing manager Valorie Reavis reports that service providers will more easily understand and meet goals shown in units sold. Technicians aren't always conversant with percentages, but it isn't hard to understand that selling one or two products to each customer will result in a better commission—and more profit for the spa.

Spa personnel are visual by nature, and understanding sales goals can be made even easier through the use of customizable graphs and charts. If you don't currently use these features, you may be losing out on a good motivational tool. Elite Software (elitesoftware.com) produces charts that compare performance levels between operators that can be exported to an Excel, ASCII or text file.

ResortSuite reports that retail revenue in spas, on average, generates 10% to 18% of sales, but 20% to 25% of profits, showing that an increase in the right retail sales will greatly impact profitability. In addition, says Pitsikalis, "A rise in retail sales also increases guest retention rates by 30% if they purchase one product, and by 40% if they purchase two."

Inventory Management

Aside from total sales, software enables you to look at the profitability of each product and get more out of your inventory system. Reports Ogle, "We know exactly what we're selling, what's on hand and what our inventory turns are. We don't spend thousands of dollars stocking products that don't turn fast enough, or that aren't profitable. The reports we receive help us to frame our buying decisions."

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Inventory management can immeasurably save your spa money, both in dollars spent on products and in compensation spent on employee time to count, order and receive products. In standard inventory, someone walks through the retail area with pencil and paper, recording everything that's needed, checking in with all employees and managers, and then phoning the vendor to order. Once you've entered minimum and maximum supply numbers into your computer system, however, ordering becomes an automated process: You go to your inventory section, click on a vendor and ask the software to list each item that's below the minimum supply. The system then creates a purchase order that can be faxed or even emailed to the vendor, doing in less than a minute what used to take at least an hour. This frees up more time for the technician, who can now spend it servicing clients.

Some programs are integrating with handheld pocket PCs for inventory management tasks like physical inventory counts. The pocket PC can function as a scanner and record your stock, communicating the figures wirelessly to your server in real time; it will even take into consideration products that were sold during your count. While you're counting inventory with the pocket PC, you might decide to mark an item on sale at that moment; the new sale price will be reflected immediately in the whole system. Also, you can ask the system to show you what products haven't sold within a particular time frame so that minimum and maximum supply numbers can be changed to reflect actual sales trends. All of these options take most of the time and all of the guesswork out of effective inventory management, freeing up cash and resources for other purposes.



Maximizing the Appointment Book

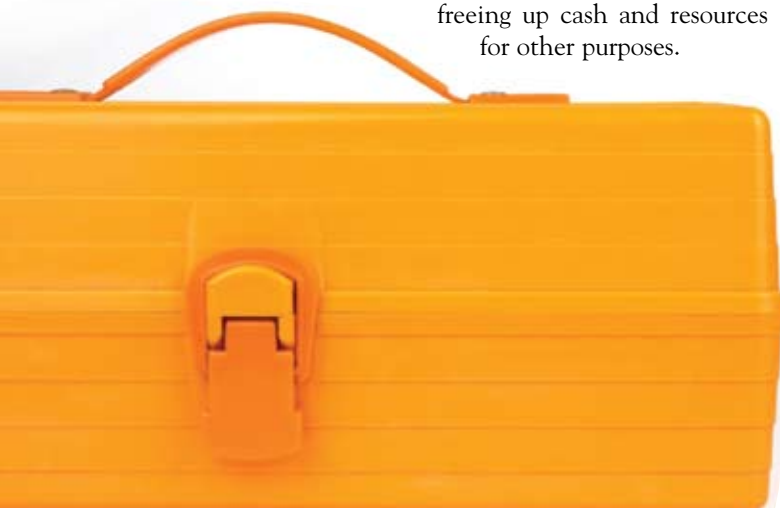
There's no area of operations where efficiencies and technology can have a greater impact than the appointment book. This is the lifeblood of the spa—your future sales record. If you've been around long enough, you remember the days of appointment booking with pencils and whiteout, and putting clients on hold because "someone is in that book." Today, spas can schedule clients on the phone, in person and even online at the same time, speeding up the booking cycle.

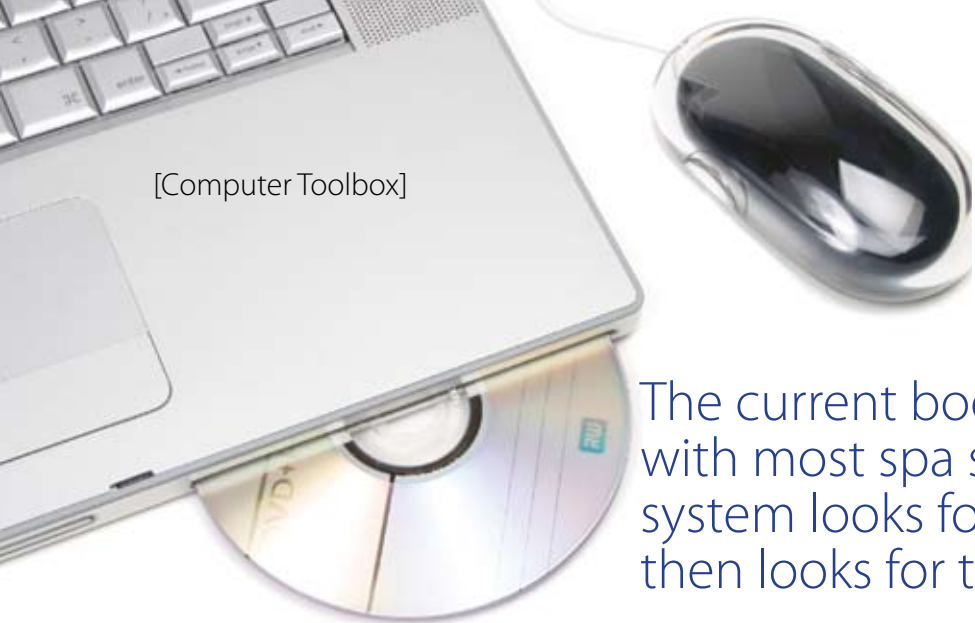
In addition to saving time, there are many ways that using a computerized appointment book can have a positive impact on revenue. Confirming appointments is a must for any operation, says Pagliaro, and software gives you the ability to do this in a methodical manner. An appointment book module will show you all of the appointments that are booked for a client on a particular day, so while confirming a massage appointment your staff won't miss the fact that the client also is booked for a haircut.

Most importantly, confirming appointments will affect a 10% to 60% decrease in the quantity of no-shows that you experience. Handling last-minute changes created by clients who decline one of several scheduled appointments is one thing, but the productivity loss created by no-show appointments can't be regained. You may be surprised to discover that hundreds of dollars a month is lost to appointments that are booked but never fulfilled:

Cost of No-Show Appointments

Average ticket	\$55
No-shows/week	6
Weekly cost	\$330
Annual weeks	52
Annual cost	\$17,160





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The current booking paradigm with most spa software is that the system looks for an empty spot, then looks for the customer.

Add in the cost of marketing to the client and employee time booking the original appointment, and the losses mount. The appointment book will show you at a glance through a coding system which appointments haven't been confirmed, making it easy for staff to complete this task. After all appointment confirmations have been completed, you and your staff can focus sales efforts on empty spots in the schedule.

Future Trends

As with all technology, change is on the horizon. Millenium recently introduced Millenium *mini*, a software module that allows parts of the Millenium software to run on mobile PCs. According to Lisa Fabricant at Harms Software, "Mini gives the service provider an up-to-the-second view of the appointment book, sales statistics, complete appointment/service work tickets and all client information including formulas, history and time schedules, without going to the front desk. The owner can get sales statistics, alert information and front desk statistics, even from outside the location."

Yield management, or changing pricing according to demand to maximize profits, is already a well-known practice in the hotel and airlines industries, and has recently found its way into the spa world. But without technology to record past metrics, forecast future appointment demand and calculate which services should be available, yield management would be difficult at best. ResortSuite software is introducing new capabilities that will help spa operators leverage avail-

able appointment time into higher yield services. For example, let's say you set your maximization threshold at 80% utilization for a particular day, and the yield management capabilities are activated. The system will stop offering low-margin or low-price services as an option to callers for the last 20% of available spots. At the same time, you can track the business that you turn away, to ensure that yield management is worth it for your spa. The program allows you to set the parameters, and resources can be reallocated as occupancy levels grow.

The current booking paradigm with most spa software is that the system looks for an empty spot, then looks for the customer. In the future, according to Pitsikalis, systems will be more client-centric—beginning with the client and her preferences, then looking for resources that match those preferences. This capability will allow spas to tailor the experience to each guest, especially important for larger spas with dozens of treatment rooms and hundreds of guests.

Studies show that, among small businesses, using computers for more business functions raises both the productivity and the profitability of the business by as much as 41% and 49%, respectively. They've also shown that the factors that drive technology adoption are the owner's personal involvement with the technology. Ogle's business started in 1978, taking in just under \$100,000 in sales that first year. In 2005, the spa saw 56,000 clients and had retail and service sales in the millions of dollars. Says Ogle, "Without the computer we couldn't do this. Business operations are more of a science now—we make decisions by the numbers, not by how we felt when we woke up on a given morning." ●

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