

# Just Rewards

Secure your most profitable clients with a program that rewards them for their loyalty to you.

By Lisa M. Starr

THE GOOD NEWS IS LOTS OF PEOPLE ARE GOING TO spas now. We've worked hard to educate consumers about our services, and they've responded. And even though overall spa growth has slowed from its torrid pace of the 1990s, spas are still being developed and built in more of the nooks and crannies of the country than ever before. So now that the public has been conditioned to make spa-going a part of their lifestyles, how do you keep them coming back to yours?

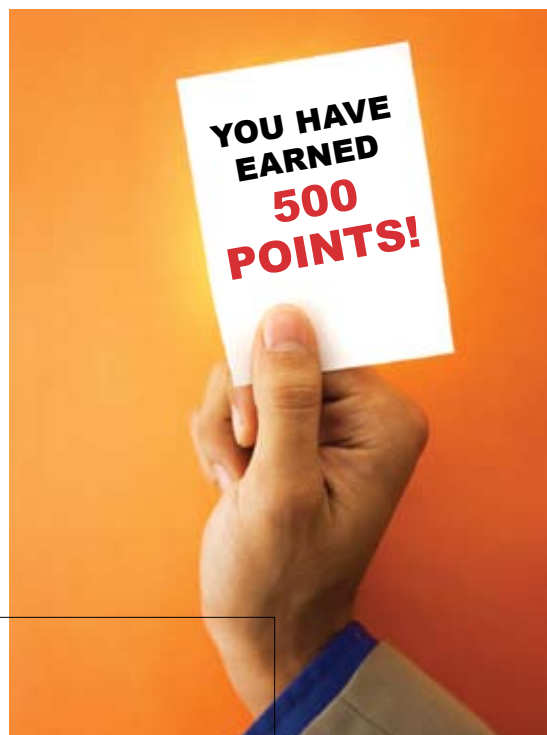
The factors that used to ensure your success are now considered the minimal tools. A nice spa menu, well-trained customer service staff and beautiful facilities are great, but beautiful and thoughtfully designed facilities are opening all of the time. Customer satisfaction is no longer a differentiator—it's an expectation. The real achievement now is establishing a core

group of clients who enjoy multiple services at your spa, purchase retail products and gift cards, and refer their friends—all while remaining loyal to you. You, in turn, must be prepared to encourage clients' loyalty with a program that banishes from their minds the very notion of visiting a competitor.

Let's look more closely at the term "loyalty." In a spa client, it goes beyond enjoying your facility and appreciating your customer service. These things don't necessarily translate to loyalty. Even all of your collected data on clients' purchasing habits and histories can't predict their willingness to continue doing business with you. Your goal in marketing your spa should be to find, attract and retain clients who 1) regularly purchase from you, 2) enjoy doing so, and 3) consider themselves part of your "family."



Before you can generate customer loyalty with an organized program, however, you need to start with your internal customers: your staff. If staff members don't believe that your company deserves their loyalty, they'll be in no position to convince clients of the same. You and your management team must set the bar high for ethics and trust throughout the company. Your management team is the source of integrity and inspiration for everyone on the staff, and must "walk



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and how they can be redeemed remains at the discretion of the spa.

the talk" every day to uphold your standards. If you can successfully create an environment in which staff members share your vision, and can grow and develop as professionals as they work happily as part of a team, you'll have the most important building blocks in place. Happy and enthusiastic technicians will be well-suited to inspiring passion and commitment from clients.

Once you have your beautiful facility and eager, well-trained staff, it's time to design a rewards program to lock in your best customers. Fortunately, loyalty programs are familiar to your clients; it's estimated that more than 75% of consumers today have at least one loyalty card in their wallet. According to Gartner Group, a business-consulting firm based in Stamford, Connecticut, American firms spent more than \$1 billion on loyalty programs in 2003 (the last year for which data is available). Airline rewards programs, the model on which many consumer loyalty programs are based, began in 1981 when American Airlines decided to recognize and reward its best customers by enrolling 283,000 of them in a "frequent flyer" program, the first of its kind. Today, American's program members number more than 44 million, and of course every airline, and hundreds of retail businesses, offers its own version of a loyalty program. We spoke with a few spas to see how their programs are working.

### Programs That Pay

One of the most common ways to reward spa client loyalty is with a point system similar to those used by airlines, rewarding clients based on what they spend. Clients accumulate points they can then use in a variety of ways. However, the details of how points are earned

Teddie Kossof Salon & Spa ([www.teddiekossof.com](http://www.teddiekossof.com)) in Northfield, Illinois, began its loyalty program several years ago by offering prepaid discount cards to loyal clients. The clients would prepay for a block of services and then receive a discount from the price each time they received a service. Of course, clients like this kind of program but it can be too expensive to operate and the redemption rate is very high, as clients are purchasing for themselves. So Alan Kossof, the spa's general manager, devised a point-based rewards program in which clients earn points for purchases of both services and retail, and can redeem the points whenever they like, or let them continue to accumulate. The clients earn a point for each dollar spent but the reward equation works with this formula:

- **1,500 points earns a \$25 reward.**
- **2,500 points earns a \$50 reward.**
- **3,500 points earns a \$100 reward.**

The point system is embedded in the spa's Millenium software and clients are enrolled automatically, enabling them to start earning points on their first visit. Kossof reports that in the first eight months of 2006, the spa had given out \$10,000 in services.

One of the great features of a points program is that you can create rewards for nonpurchase-related behaviors that can ultimately have a greater overall impact on your profitability. At Teddie Kossof, clients earn points for booking appointments online, prebooking appointments before leaving the spa and trying a new service for the first time. You might choose to reward clients for referrals or for purchasing certain products and/or services on certain (slower) days. You might even award bonus points for particular services or technicians.

Angela Cortright opened Spa Gregorie's ([www.spagregories.com](http://www.spagregories.com)) in Newport Beach, California, in 1998, after having enjoyed the haven other spas had provided for her in her years holding a hectic corporate job. Fortunately, Cortright's marketing background stood her in good stead; she immediately implemented a loyalty program that consisted mostly of client appreciation activities. All clients received thank-you cards after their first visits; birthday cards were mailed to everyone; and VIP clients received free valet parking and free services on their birthdays.

Since then the program has become more sophisticated, thanks to the enhanced functions of Spa Gregorie's' software program. Clients still receive birthday and thank-you cards, but now they can also enroll in the Thank You Club, in which they can



earn points (at the rate of a penny per point) for purchases and a variety of other activities. Cortright says she hasn't had to heavily promote the program, and believes this is largely due to the spa sales receipts that have "Thank You Club points" printed at the bottom. When a client receives a receipt and sees that she has earned 0 points, she wants to join the club and start earning! Clients can enroll at the front desk, over the phone or online, where they can also check their purchasing history and points totals.

Cortright has begun taking her rewards efforts in new, interesting directions. When she wanted to start promoting Endermologie, she awarded

## Pick a Package

An interesting rewards program was just introduced by the Paua Spas ([www.paua.com](http://www.paua.com)) company, based in Hong Kong and comprised of five different spa brands. Packages and prepayment for services are much more common in Asia than in the United States, and this program illustrates that difference. According to Paua's group communications manager Elaine Chui, these spa clients have the option of purchasing a package from the company's Elite Loyalty Program or its Exclusive Beauty and Spa Package.

In the Elite Loyalty Program, clients prepay a fixed fee and receive discounts on products, services and gift certificates in return. The Exclusive Beauty and Spa Package also imposes a preset fee but clients don't receive discounts on services or products. Instead, they earn Asia Miles, from a consortium of airlines, restaurants and other consumer businesses commonly used throughout Asia.

The Paua programs are each structured with four levels, with prices ranging from U.S. \$1,558 to \$7,272. Rewards and gifts increase with each level, and all packages expire within 12 to 18 months. Chui reports that clients really appreciate having options that speak to their individuality. "We believe that each person's lifestyle is as unique as his or her signature, and each of our spas features different offerings to reflect that," she says. "The tiers within the programs allow clients to enjoy a loyalty program that truly reflects their way of life."

double points to those who purchased a series of treatments. Clients who attend Spa Gregorie's' annual antiaging festival, which features more than 40 vendors, receive 500 thank-you points. Cortright sends out an e-mail blast for last-minute appointments and gives loyalty points for those bookings. She has even started using thank-you points in lieu of cash discounts, or to resolve client satisfaction issues. She believes that the point system is just as effective as a discount, or even more so because it enables her to determine whether the client really wants the spa to fix the problem, or doesn't plan to return either way.

Clearly the Spa Gregorie's loyalty program is working; in eight years of operations the spa has amassed a database of 50,000 clients and built a thriving business.

Erica Porter, vice president of Myra & Company ([www.miamispa.com](http://www.miamispa.com)) in Miami, handles this spa/salon's loyalty program in a less structured way. There's a bowl for business card collection at the checkout desk and a regular drawing is held to select a winner. The client whose card is drawn receives a gift for everyone in his or her office (a small group might win gift certificates for lunch at the spa; a larger group might receive retail products). Porter also ran a promotion in which clients reserving 1 of 10 popular services during slower weekdays received a complimentary upgrade. The promotion was marketed via

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e-mail blasts to regulars and posted on the Myra & Company website.

Other aspects of this loyalty program are even more spontaneous. Porter reports that because she's in the spa all of the time and knows all of the regulars, she's more likely to buy them lunch because she knows it's their birthday, or upgrade a service for them "just because." This allows her to make her approach more individualized and, perhaps, it feels more special to the clients.

### **Rewarding Tips**

When designing your spa loyalty program, you'll want to consider several important questions:

- **Is it what your customers want?** A recent Cornell University study for the hotel industry found that

the chief determining factors in consumer loyalty were amenities, hotel design and staff. Some hotel guests were less interested in earning points

and more interested in earning options that would improve the quality of a visit, such as an upgraded room, early check-in or late check-out, free Internet service and a room on the concierge level. It's key to learn your clients' preferences.

- **To what types of amenities or offers will your clients respond?** If you're not sure, ask them. An informal printed survey at the front desk can yield a lot of useful information. Remember, you're focusing on marketing to current customers, not attracting new ones. Ask if they'd be interested in referral rewards, special "members-only" sales, and birthday and anniversary recognition.
  - **Is it profitable?** Don't offer discounts or promotions without regard to the bottom line. Make sure to weigh your offers carefully and design programs
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## Your program should be **easy to understand, participate in and administer.**

that elicit the desired behaviors without cutting too deeply into profitability. Remember that the top 20% of your clients are probably generating 80% of your prof-

its; that's the audience to which you're playing.

- **Is it simple enough?** Your program should be easy to understand, participate in and admin-

ister. In addition, there should be a range of goals and prizes that are attainable but not too expensive—otherwise, your clients will think they're paying for the rewards.

Spa Gregorie's' Cortright has some additional cautions. "Give points for the right things, such as visiting a certain operator or having a particular service," she says. "Reward a smaller number of points for everyday activities, and save the big rewards for major things like purchasing a series.

"Make sure that your staff understands the program, and that you've all communicated the advantages of the program clearly to clients," Cortright continues. "And be sure to track your liability resulting from the program, much like with gift cards."

The purpose of a loyalty program is to lock in the most profitable of your clients, not all of your clients. (If you tried to reward clients who visit infrequently and don't purchase retail or gift cards, the cost of the program would probably outweigh the benefit.) Intercontinental Hotels found that its priority guests spend 57% more than the average guest and tend to incur fewer costs, as they often book rooms over the Internet and, as regular guests, don't need as much customer service care onsite because they "know the routine." The objective is to give guests something that they value while lowering your operating margins. The loyalty that you generate will become a competitive advantage that lasts through economic downturns and changing trends. ●

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