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Is Your Medical Spa 'Worth It?'



By Lisa M. Starr Wynne Business



SET GOALS FIRST

- Attract new patients for medical practice
- Utilize unused office space
- Earning a living while waiting for your property to appreciate
- Long-term exit strategy
- Because you (or spouse) like to go to spas!





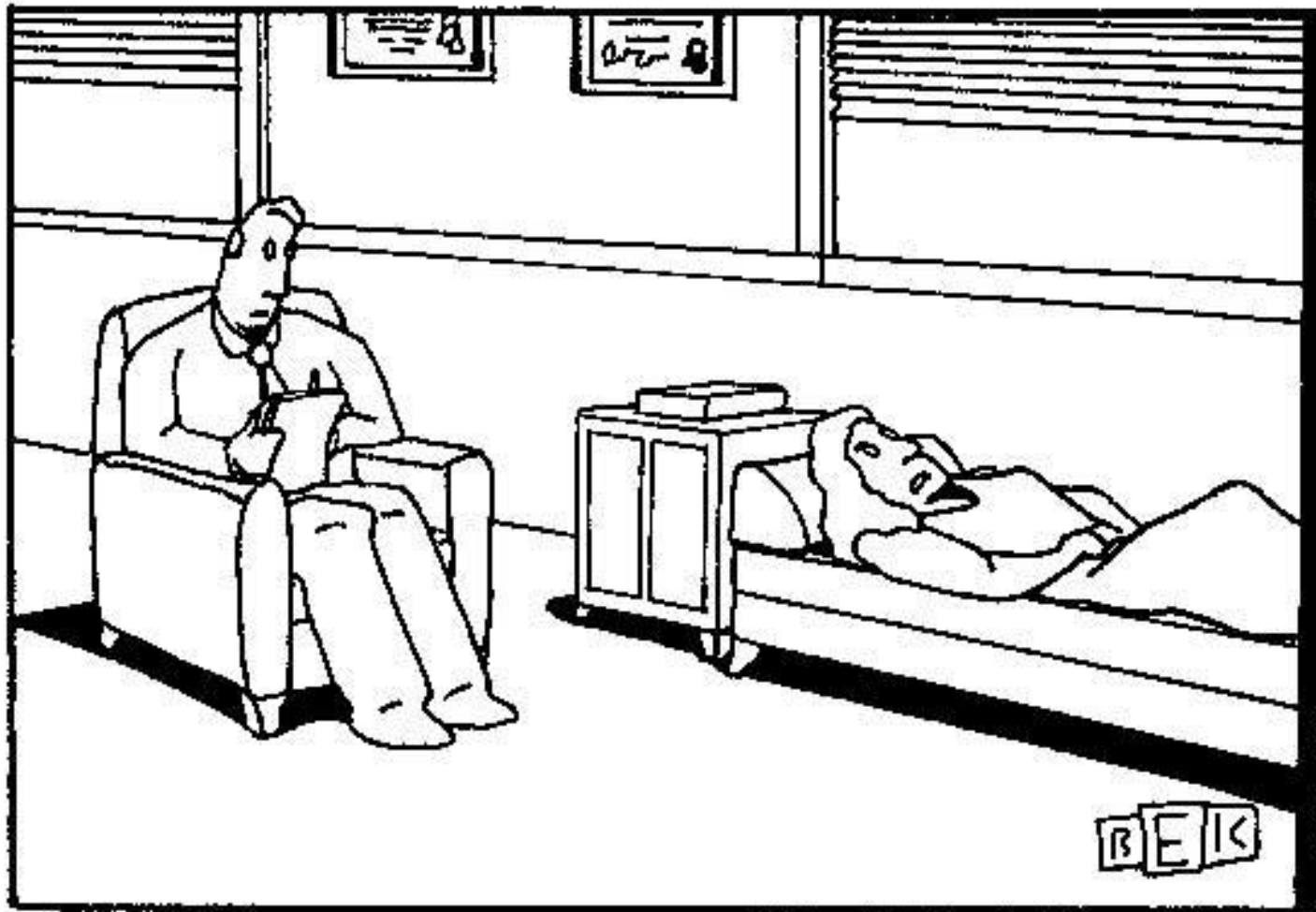
Continuing Opportunity

- **2014, \$5B spent on 11.3M non-surgical procedures** *(ASAPS)*
- **Over 13 million procedures performed 2014** *(ASAPS)*
- **Selfies and social media behind rise in elective procedures for those under 30** *(AAFP RS)*
- **46% of consumers would choose appearance enhancement over an expensive vacation or luxury vehicle** *(ASCS)*
- **Top 5 non-invasive procedures 2014 Botox, HA, Hair Removal, Chemical Peel, Microderm***(ASAPS)*



Identify Target Market

- Do practice and spa share patients/clients?
- Who are your patients now?
 - ☐ Socio-economic status
 - ☐ Ethnicity
 - ☐ Age
- What services are they be interested in?



"Well, I do have this recurring dream that one day I might see some results."



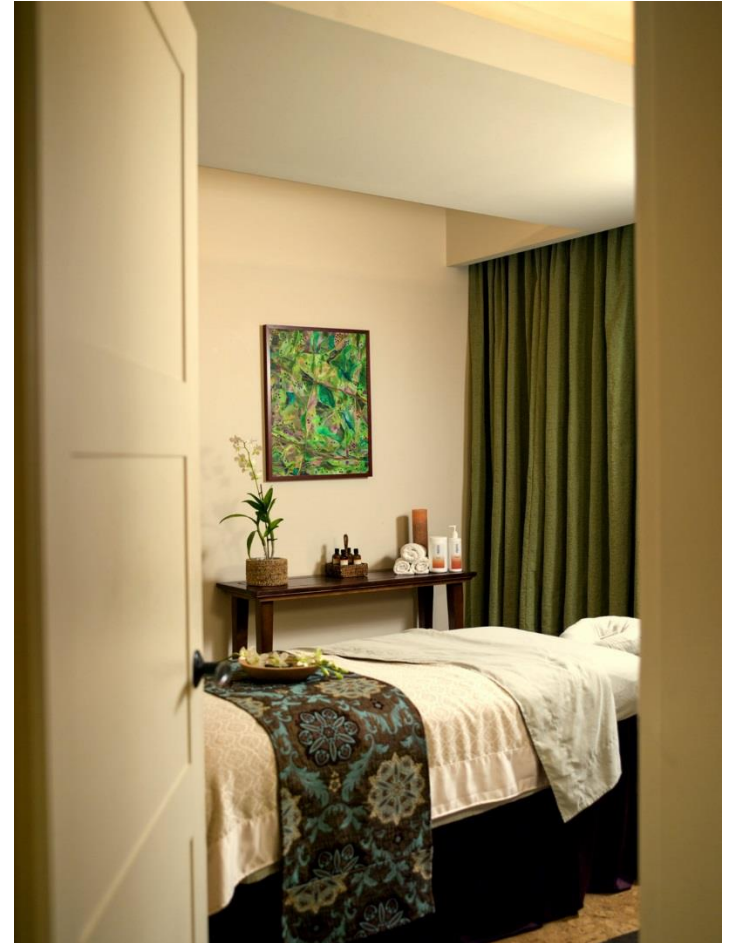
Medical Spa

- Medical professionals
- Spa professionals
- Well appointed environment with sensory appeal
- Culture of customer service
- Patient - Client?
- Exam/Treatment rooms





Medical Spa





Common medical spa services

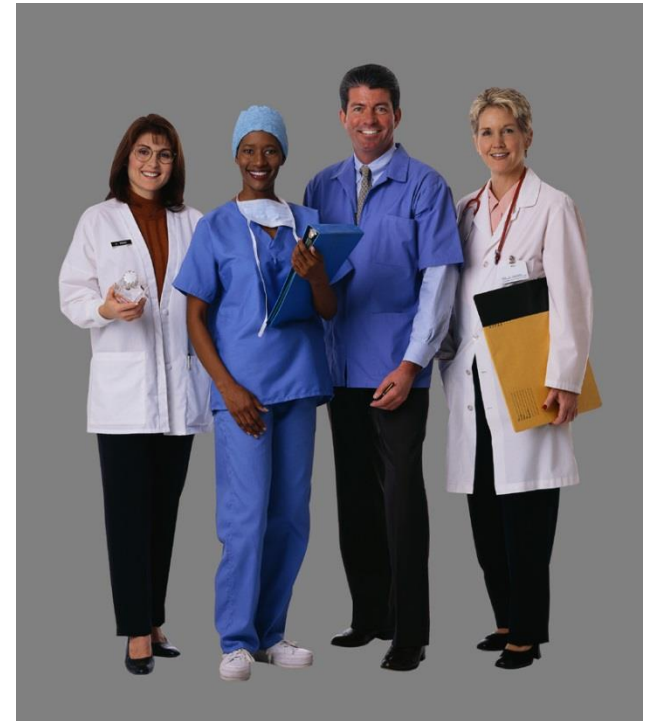
- Laser Hair Removal
- Injectables/Fillers
- Skin Resurfacing
- Body Contouring
- Vein Therapy
- Hair Restoration





Who performs these services?

- **Physician**
- **Physician's Assistant**
- **Nurse Practitioner**
- **Nurse**
- **Esthetician**
- **Other medical professionals**





Common Med Spa “Spa” Services

■ Esthetics

- Skincare

- Waxing

- Peels & Microderm

■ Massage/Body

- Body Wraps & Scrubs

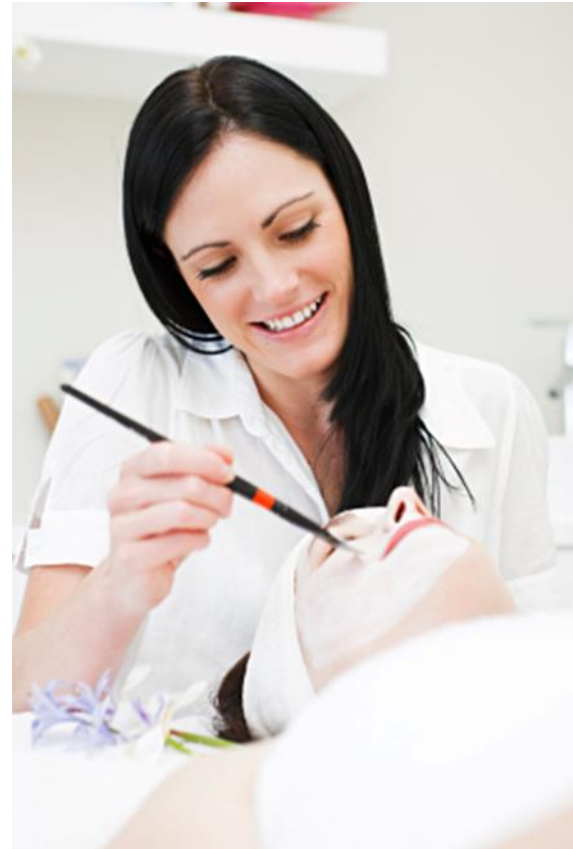
- Relaxation Massages





Who performs these services?

- Esthetician
- Cosmetologist
- Cosmetician
- Massage Therapist





Defining Profitability



- Dictionary definition – yielding advantageous returns or results
- What does it mean to you?
- Do you know if your business is profitable?



Financial Framework

- **Chart of Accounts**
- **Income Statement**
- **Department specific payroll**
- **Isolation of treatment costs**
- **Ratios and benchmarks**



Income Statement

- Revenue, with department detail for services and retail
- Cost of goods, with same department detail (costs related directly to sale)
- Gross margin
- Expenses
- Net Margin



Income Statement

Skin Service Sales
Massage Service Sales
Injectable Service Sales
Laser Service Sales
Skin Retail Sales
Massage Retail Sales
Medical Retail Sales
Other Income
Gift Certificate Sales
TOTAL REVENUE

Skin Service Labor
Massage Service Labor
Injectable Labor
Laser Labor
Skin Retail Comm.
Mass Retail Comm.
Medical Retail Comm.
Skin Tx. Supplies
Massage Tx. Supplies
Injectable Tx. Supplies
Laser Tx. Supplies
Freight & Packaging
Concierge Staff
Credit Card Fees
TOTAL COST OF GOODS



Tracking Revenue – Typical Metrics

- **Average ticket for spa**
 - **Service \$ + Retail \$ / number of clients**
- **Average ticket for technician**
- **\$ sales per square foot**
- **Retention vs Request**
- **Utilization/Productivity rates**



Tracking Expenses

- **Labor – Your Largest Expense**
 - ☐ **Technical Staff – Spa & Medical**
 - ☐ **Hourly Staff**
 - ☐ **Management/Salaried Staff**
 - ☐ **Taxes & Benefits**



Tracking Expenses

Professional product inventory costs, by department

■ Skincare	5-8%
■ Nails	4%
■ Massage/Body	1 - 2%
■ Makeup	1%
■ Medical	35-50%



Tracking Expenses

Medical Equipment

- Debt service on laser
- Price for heads
- Warranty

Determine your cost per use of laser



Tracking Expenses – *example*

- Laser investment - \$126k, 6 yr lifespan. 5 clients per day/1300/yr, \$16.15 per client
- Heads, \$5k. 100,000 pulse life; avg svc 150 pulses or 666 clients; \$7.50 per treatment
- Warranty; \$1000 per month/\$32.75 per day; 5 clients per day = \$6.55



Tracking Expenses

- **Rent & Utilities**
- **Advertising & Marketing**
- **Contribution to burden**
- **Cleaning, Repairs & Maintenance**
- **Training & Education**
- **PROFIT!**



Service Profitability

- **Spa Services – stand alone facility less than 10% net profit, low cost of entry**
- **Spa Services within practice with some shared overhead, 15% net profit**
- **Medical Spa Services – 30% net profit, higher equipment and inventory costs**



Don't forget the “spa”!

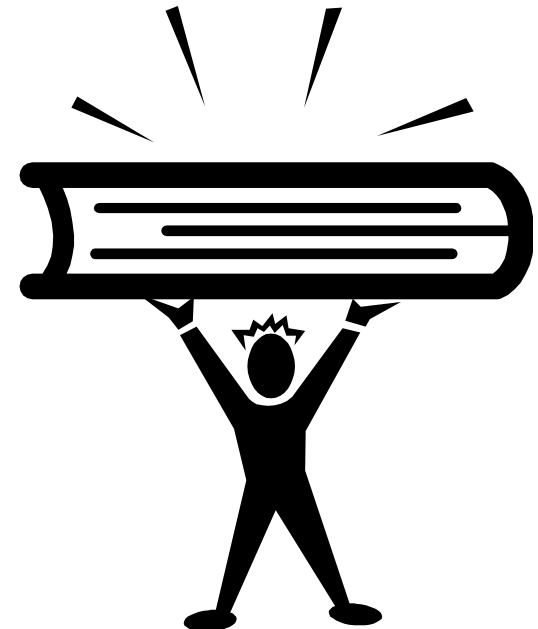
- Customer service
- Ambiance and design
- Creature comforts
- Retailing
- Marketing approach





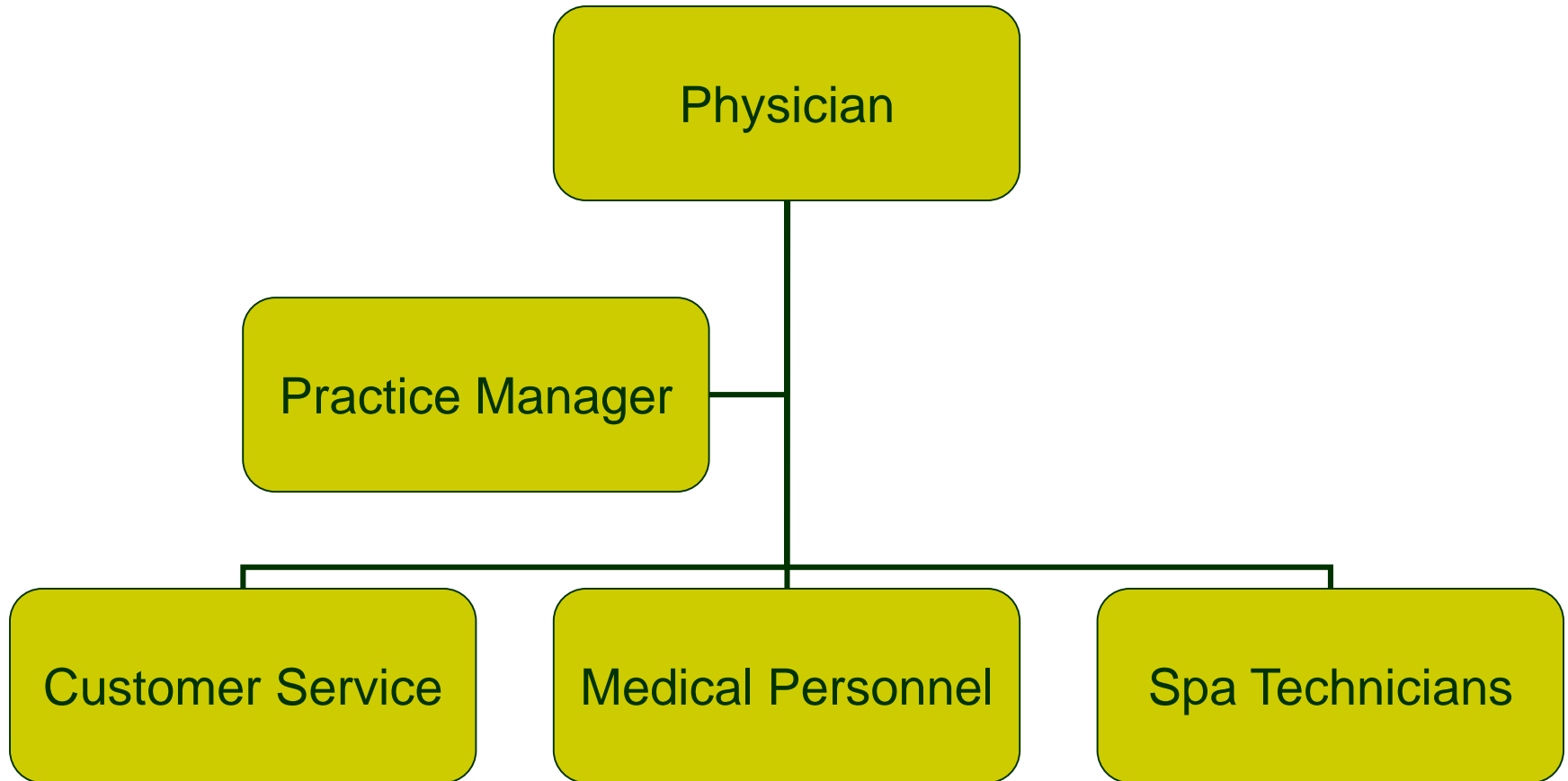
Operations Basics

- Management Structure, Org Chart
- Recruiting, Interviewing, Auditioning, Hiring Process
- Training & Orientation
- Employee Handbooks
- Service Protocols
- SOP's
- Quality Assurance





Sample Org Chart





HR Infrastructure

- **Position descriptions – a must!**
- **Interview process**
- **Employment handbook**
- **Procedure manuals and service protocols**
- **Quality standards**
- **Regular meetings/communication**



Compensation for Spa Technicians

- **Commission percentage of service OR**
- **Treatment rate - \$ amount per service OR**
- **Hourly plus . . .**
- **Retail commission**
- **Benefits – contribution toward medical coverage and paid vacation**
- **Extensive training program and opportunities to learn**



Compensation for Medical Personnel

- Hourly at market range for their certification, +/-or
- Commission or treatment rate and bonus opportunities
- Benefits and training
- Nice environment, set hours, no call





Overall Compensation Factors

- **Spa Estheticians are top retailers**
- **Medical spa staff are more used to hourly rates**
- **Medical spa staff not accustomed to selling products**
- **Benefits are of interest to all**



Compensation Conversion:



- Laser spa owner in NC, 2 locations
- Hourly pay; payroll 30% of revenue
- Fee per service; payroll 18% of revenue
- Sales up 40% 2011 over 2010!



Retailing

- Edited array of products suited to your target market
- Focus on gross margin
- Home care recommendations
- Visual merchandising





Why Retail?



- **Extends benefits of spa services**
- **Great products bring clients back**
- **They can consolidate spending on appearance**



Retailing example:

- MED SPA IN CA
- BEFORE – 10% net margin, no retail
- AFTER – retail selection with array of margins and adjusted comp plan; 15% net margin





Tracking Revenue

Recommended Retail to Service Sale Ratios

Day Spa

- Hair - 10-15%
- Skincare - 35-50 %
- Massage/Body 1-5%
- Nails - 5-15%
- Cosmetics - 40-100%
- Gift - 10-40%

Medical Spa

- Hair - n/a
- Skincare - 30-70%
- Massage/Bdy - 5-10%
- Medical – 10-30%
- Cosmetics - 25-50%



Performing a Business Evaluation

- **Identify under-performing areas**
- **Develop an action plan**
- **Pick a few key focus points**
- **Work on both revenue & expenses**
- **Involve the staff**



Where to Start?

- **Does your compensation plan drive the right behaviors?**
- **Are your ratios aligned with benchmarks?**
- **Are you equipped to provide the services your target market wants?**
- **Are your performance appraisals tied to financial behaviors?**



Success!

- You're retaining your staff
- Your patients are referring more patients
- You're making money
- You can sleep at night!





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lstarr@wynnebusiness.com



Blog.booker.com



[@StarrTalk](https://twitter.com/StarrTalk)



Nurturing 5 Star Employees

Q & A with Lisa Starr

THANK YOU FOR YOUR ATTENTION!

**A copy of this presentation will be posted on
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lstarr@wynnebusiness.com