

# Saving Money in Your Spa

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Word on the street is that most spa owners love the concept of owning a spa. They love the thought of happy clients, the relaxation it brings to the lives of their clientele, and the youthful glow that comes from each new treatment brought to market.

But it is no secret that most spa owners watch dollars fall out of their bank accounts at a rate they did not anticipate. While bringing dollars into your spa is crucial, keeping those dollars in your bank account through practical savings techniques just makes both sense and cents.

While I could tell you the importance of using scrap paper to its fullest for internal memos and not throwing out almost empty bottles of back bar products until they are actually empty bottles, this article dives deeper. Looking for easy tips? Read on.

## **Prevent Theft in Your Office**

Sure, we would all like to believe we can trust both our employees and our clients. But take a look: do office supplies, including everything from paper and pens to spa towels and back bar items, seem to be walking away faster than they had in the past? Have you looked at your deletion reports lately? Are clients reporting items missing from their purses during treatments, or have stories of the provider who offered to “make things easy” by accepting payment in the exam room start coming out of the woodwork? Are employees pocketing product for themselves or giving away an abnormal number of “samples” to clients? Your staff could be costing you your hard earned dollars without you even realizing it.

Walk through your office and reception area and look at things from an outsider’s point of view. How easy is it for a client to steal product from your spa? Is your inventory kept behind a locked glass cabinet or on an open shelf where a tiny-yet-expensive cream could easily slip right into an oversized purse?

## **Utilize Client Financing Options**

A great deal of money is left on the table when your spa uses a third party financing company to assist in securing financing for clients. Banks and financing companies that offer clients zero percent interest financing for six to 18 plus months are receiving extremely high premiums. (In addition, these options are often now unavailable for spas and medical spas that are not actually medical practices.) Someone has to pay the financing institutions for lending the clients money and taking the risk, and the end result is...

it is you.

Check with your credit card company to see if they offer unsecured credit cards at zero percent interest for your client. Creditworthy clients should be able to secure these financing terms without hesitation with good to excellent credit. Some practice management consultants offer these services and will even assist you with the marketing materials to support your efforts.

### **If It is for Free, It is for Me**

Before spending big dollars on your marketing efforts in pricey advertising campaigns, utilize advertising or internal marketing campaigns. Be sure you are active on key social media channels like Facebook, Twitter, and Google Plus, which help optimize your website. Let all staff members know it is crucial to capture all client e-mail addresses of both clients booking appointments, as well as clients who have yet to receive a treatment; make sure they are aware you will be sending them a monthly e-newsletter promoting your current services and specials. The key? Remember to do it! Sending an e-newsletter once in a while does not keep your spa top of mind, and your clients will forget who you are.

Assuming that current clients already know about all the treatments you provide or that latest piece of multi-purpose capital equipment sitting in your rooms could be costing you money, promote those same specials in your reception area and treatment rooms to your current clients. (The average aesthetic patient costs \$400 to bring into your practice; why not make the most of their attention while they are with you?) Remember, just because a client came in for a facial does not mean they know you also offer peels, laser treatments, or waxing.

During certain holidays, remember to promote gift certificates as well – even use your on-hold messaging and after-hours recordings to do just that.

Know your return on investment and ditch efforts that are not working. Knowing your return on investment is key; if an effort cannot be proven to have a strong track record of performance, it is most likely time to move on to a more productive marketing campaign. Use this simple formula, and know your ratio should be at least three to one for the effort to be a keeper:

$$\text{ROI percent} = \frac{(\text{Return} - \text{Cost of Investment}) \times 100}{\text{Cost of Investment}}$$

Know what you are paying on all equipment, lease space, and supplies. You may have gotten a sweetheart of a deal when you first started purchasing with your vendor, but with price increases and vendor/corporate mergers, those deals may not be what they formerly were.

We encourage spas to continually evaluate pricing and check in with vendors regularly. Often, simply signing off on order slips means you will not notice when product pricing increases. At least every three to six months, compare the costs of supplies against another vendor, evaluating whether it is cheaper to go with a brand name or a generic product (you would be surprised!) and what sort of bonuses your vendor is currently offering.

Ask your vendors for extended payment terms. Many vendors will offer you 60 to 90 days of free financing for some rather large purchases. Imagine the benefits of the cost of capital with extended financing from your vendors/suppliers.

If you do not like what you are paying, do not be afraid to negotiate. Know the level of authority with your sales representative and do not be afraid to ask for what you want, even if that means speaking to a supervisor to get it. (Note: What you want can be anything from a lower price, to an extended warranty, to additional consumables for the piece of equipment.) If it looks like the person with whom you are working is not willing to budge, do not be afraid to walk away. Two things will happen – either they will run back to you, or you will find a better deal. Paying too much for larger-ticket items cuts into the amount of money you have available to run your practice.

Know what is included in your lease, including who pays for common area maintenance (utilities, taxes, and signage). Confirm whether build outs and repairs will be made prior to you moving into your new digs and whether that is provided by the landlord or you. Find out which fees are non-refundable and review the terms of a lease cancellation, should something cause you to have to (or want to) vacate the property earlier than initially planned.

Take advantage of group purchasing organizations (GPOs) or buyers' groups. There are several group purchasing organizations and network buyers groups in the medical marketplace which consists of vendors willing to offer discounts and rebates to the group's members because the group/network brings the physician's offices to them without them having to market themselves. The group's vendors consist of medical suppliers, capital equipment manufacturers, financing agencies, practice consultants, and so on. Ask your practice management consultant for assistance. Some spas must have a medical director for certain group purchasing organizations, so check on this before signing up.

Analyze your credit card merchant processing fees. You should be checking your monthly statements on a regular basis to see what your practice is being charged for processing your credit cards. Most practices have no idea how they are being charged. Did you know there are over 125 different type of credit card processing types? Two main components make up your credit card rates. First, an interchange fee is the fee the credit card companies charge for each transaction. This fee is set by the credit card networks and is usually not negotiable. It consists of a percentage of the transaction plus a per-transaction fee which ranges anywhere from five cents to 25 cents. The exact percentage of the transaction varies according to a wide range of specific criteria (the 125 different transaction types) such as what type of credit card it is, what is being purchased, who issued the card, and many other factors. Lastly, there is an additional fee which is charged by merchant service providers, which may be your personally-chosen vendor, your bank that provides the merchant account, or an authorized independent sales organization (ISO) of the merchant bank. This fee is also a percentage of the transaction and may also include a per-transaction amount. Your vendor may elect to either markup the interchange rate and pass that onto you or charge the interchange rate and a single processing charge set by the processor. Either way, the rates set by the merchant processor vary greatly and can be negotiated.

The moral of the story? Check your monthly statements and renegotiate your rates. Do not pay your employees peanuts. We have a saying: "When you pay peanuts, you get monkeys." Cutting employees' pay and benefits often lowers the quality of care you are able to give to your clients, enhances employee turnover, and raises dissatisfaction amongst your team. While we are all about keeping costs low, it is never, ever at the expense of the level of care you offer.



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