

## Spa Revenue Management Workshop

**“ The award winning world’s first academic spa”**



ASIAPSPA AWARDS

nominated as  
spa academy of the year in 2012  
in spa training of the year in 2013



### Definition of Spa Revenue Management

Revenue management is the practice of allocating the right space to the right customers at the right price at the right time so as to maximize revenue or contribution margin.

Right = achieving the most revenue possible for the spa while at the same time delivering the greatest value or utility to the customer.

### When to apply the spa revenue management?

1. Relatively fixed Capacity
2. Predictable Demand
3. Perishable Inventory
4. Appropriate Cost Structure
5. Varying customer price sensitivity
6. Time Variable Demand

Notes

## Spa Revenue Management Workshop

Your spa name:

Opening hours:

**Your Resources:**

- No. Of Treatment Beds:
- No. of Therapists:
- No. of Operating Hours:

**List of Treatments**

Treatment Name	Duration	Selling Price	Cost	CM	%	Sold
Aromatherapy massage	60	1,200				
Thai Massage	60	900				
Hot Stone Massage	60	1,800				
Body Scrub	30	900				
Body Mask	30	900				
Aromatic Facial	60	1,200				
Bath	30	450				
Herbal Compress	30	750				

## Spa Revenue Management Workshop

### Your Market Segment:

Segment	No. of Guests	Revenue	%	Average
MICE	180	144,000		
Walk In	700	840,000		
Members	384	288,000		
Wedding	120	114,000		
Travel Agent	300	330,000		
<b>Total</b>	<b>1,684</b>	<b>1,716,000</b>		

### Your Sold treatment time:

Booking Time	Percentage	No. of Treatment
<b>Morning</b>		
08:00-09:00	0.00%	0
09:00-10:00	0.71%	12
10:00-11:00	7.36%	124
11:00-12:00	5.52%	93
<b>Total</b>		<b>229</b>
<b>Afternoon</b>		
12:00-13:00	4.69%	79
13:00-14:00	11.22%	189
14:00-15:00	8.97%	151
15:00-16:00	14.19%	239
16:00-17:00	10.93%	184
17:00-18:00	9.74%	164
<b>Total</b>		<b>1,006</b>
<b>Evening</b>		
18:00-19:00	5.88%	99
19:00-20:00	6.29%	106
20:00-21:00	6.00%	101
21:00-22:00	5.46%	92
22:00-23:00	2.67%	45
23:00-24:00	0.36%	6
<b>Total</b>		<b>449</b>
<b>Grand Total</b>		<b>1,684</b>

**Your treatment Matrix**

<b>Star</b>	<b>Horse</b>
<b>Riddle</b>	<b>Dog</b>

**Notes**

## Understanding Spa Statistics

1. Average Spa Treatment Revenue per guest ( Baht)  
= Spa Treatment Revenue / No. of spa guests
2. Available treatment hours(Hours)  
= No. of operating hours x No. of treatment beds
3. Sold treatment hours(Hours)  
= No. of sold treatment hours
4. Spa Occupancy ( Percentage)  
= Sold treatment hours / Available treatment hours
5. Revenue per Available Treatment Hours (RevPATH)  
= Spa Occupancy x Average Spa Treatment Revenue

## How to maximize your revenue

### Example:

### Background:

You are the spa manager of a hotel spa in Chiang Mai. You introduce the following yield management tools to trial run for a week and do the following comparisons to show the effectiveness of the tools

Operating Hours: 10:00 – 20:00

No. of treatment rooms: 2 double treatment rooms

No. of Days in Month: 30 Days

## Case Study

Treatment	Duration (Minutes)	Selling price (THB)	CM (THB)	No. of treatment sold
Aromatherapy Massage	60	1,200	1,100	120
Aromatic Facial	60	1,200	900	35
Hot Stone massage	60	1,800	1,600	45

What is Spa Occupancy?

What is RevPATH?

### Spa A

- Spa Occupancy 40%
- Average Spend THB 1,800

### Spa B

- Spa Occupancy 60%
- Average Spend THB 1,200

### Spa C

- Spa Occupancy 80%
- Average Spend THB 900

### Spa D

- Spa Occupancy 90%
- Average Spend THB 800

**What is the best practice of revenue management in your spa?**

**Five Golden Rules to Deal with Price Wars:**

- First and foremost, re-state the value proposition (why the service is worth the price?)
- Make sure you are comparing apples to apples (are the treatments identical?)
- Add value before dropping price
- Put "fences" around offers (booking window, limited time offer, only good in combination with, etc.)
- Do the math before dropping price (how many more treatments will have you have to sell to break even?)



## *Spa Revenue Management Workshop*

### **Consider this summary of business improvement alternatives:**

- Sell premium services only at peak spa times
- "Cap" the number of lower margin services you accept in a day, leaving space for the more profitable ones
- Sell and redeem Spa Packages only during off-peak times (not weekends)
- Structure your menu to drive profits, not sales. Use cross selling and suggestion selling techniques on your brochure.
- Train booking staff to sell higher priced/higher margin services first
- Train all staff to sell higher priced/higher margin products
- Base Staff compensation on available margins for both services and products
- Have high priced staff members administering high priced/high margin services
- Have all staff trained to contribute to generating future revenue through employee programs like Mini Marketing
- Design floor space with premium services and products in mind
- Offer "price advantages" on future bookings for off-peak times
- Install week day/weekend pricing schedules, and even time of day pricing programs
- Always have a last minute price advantage on services. Notify staff of the openings so that they can sell them. Notify clients so that they can buy them.
- Base all price advantages (discounts); promos and campaigns on available margins.