



CREATING FIVE-FIGURE PROFITS WITH A FIVE-STAR RETAIL SPACE

by Cheryl Whitman

In the spa, retail product sales typically contribute between three and 10 percent to gross sales. While it is tempting to focus primarily on the treatments and technology the spa offers, ignoring retail space erodes the bottom line. If the spa is making less than 10 percent of its gross sales from the retail area, the professional is neglecting both the retail space and their profit potential. With training, they can realize a return of 30 to 40 percent.



There are numerous strategies and tactics that can help spas be successful. A successful spa should know their service-to-product sales ratio. For every \$100 of services sold, they should sell at least \$30 of products. Product sales are so important because they not only have a substantial positive impact on gross sales, but also because offering retail products help bring existing clients back through the door for replenishment and additional services.

To maximize the profit potential of the spa's retail space, it is important to formulate a retail strategy. Professionals should ask themselves these questions to help flesh out their basic strategy:

- “What types of services do we currently offer?” – Professionals will want to look at their financial metrics and align their product offerings with their services.
- “What are the goals and objectives of the retail space?” – Is the primary goal to increase gross sales and profitability through product sales or bring customers back in? Should the product be a known brand or your own private brand?
- “Where is the retail space located and how does staffing affect it?”

TARGETING THE MARKET

Aligning the spa's retail offerings with service categories makes sense. For instance, if professionals focus on

skin care treatments, they will want to consider offering skin care products. If they offer body sculpting and weight loss services, they may wish to offer body care products along with nutraceuticals. Professionals can also consider ancillary add-on support products, such as applicator brushes and skin cleansing aids. If the professional has products that align nicely with the treatments they provide, it naturally creates an opportunity for seamless selling.

Understanding retail sales goals will help the professional to focus on the products that best fit. It is easy to overwhelm clients by having too many untargeted offerings. Professionals do not want their retail space to resemble the health and beauty aisle of a big-box discount store. Their goal should be to have a well-planned, highly targeted, and profitable product selection.

It is critical for professionals to consider their target market and positioning in the marketplace. Is the spa a high-profile spa with an upscale client base or does the client base have a moderate income? Analyzing the target market will help to determine whether the professional should offer primarily ultra-premium products, including the professional's own private label line; a more moderately priced branded line; or an economical line.

Regardless of the positioning, professionals should offer a “hero” product. A hero product is one that

resonates well with the target client. It is the most efficient and effective product within a category and offers visible results. The hero product should provide professionals with a good profit margin. Overall, clients have shown very strong loyalty to facial products, so this category is an excellent place for a hero product. Using a hero product as the first step toward a private label line is a good idea. It is not uncommon for a private label hero product to cost \$30 and retail between \$200 and \$250.

RETAIL PLACEMENT

Launch a private label hero product and then slowly build the line by adding one or two new private label products each quarter. Private label offerings are not only highly profitable, they keep the spa's name in front of their clients on a daily basis. To get the most out of a private label line, it is critical that the line suits the target consumer. Understanding the target market is essential, as is the use of appropriate packaging to position the products for that consumer.



After the professional has given some consideration to the types of products they plan to offer, they should consider where they are selling their products and who is selling

them. These two considerations, which are often overlooked, represent the largest mistake spas make.

Unless professionals are designing a new facility or looking for a new location, where they locate their retail products is dependent upon the size of the facility, security concerns, available manpower, and inventory storage. Ideally, the primary retail area will be adjacent to the spa checkout area because this area is usually staffed at all times and is a place where a staff member routinely engages the client one-on-one.

This placement provides an opportunity to educate the client about the products the spa offers, which complements the treatment the client has had. Staff members should be knowledgeable and able to answer questions not only about the treatments offered, but also about the products available. Clients do not want to be sold products, but they do want to be educated about which products are available to help them maintain the benefits of their treatments so they can buy them. Training is important so that staff members can master the art of educating clients.

Another consideration is retail product display strategy. Unless the professional plans how they will



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display their products properly, they are wasting their money. Display the products at eye level, especially the hero product. Customers should also be able to reach the products easily. Lighting is important; be sure that the display lighting or sun coming in a nearby window does not get so hot that it causes discoloration or melting of products. Instead, design lighting that shows off your display rather than detracts from it. Also, be sure to maintain the display, dust the shelves, replenish the display as necessary, straighten products, and refresh the appearance to reflect the season.

Professionals should keep in mind that they have a story to tell. They should use posters, images, and graphics to help tell that story. What is each product for? Consider displaying products based on categories such as facial products, eye products, body products, and men's products. Consider adding a section for teenage skin. Think about signage and collateral sales materials (brochures). Where does the professional plan to put them? Consider using shelf talkers, which are messages that call the buyer's attention to a particular product. A shelf talker is a silent salesperson.

The key to effective shelf talkers is that they must be large enough to be easily readable and communicate the necessary information, but not so large they distract from the overall display. Shelf talkers should be easy to read and understand. They should also include information on how the product should be used, expected results, and a list of ingredients.

Another suggestion to consider is the use of testers, which can be effective because they allow clients to try the product, engaging more of their senses. They not only see it, but they also feel it, smell it, and perhaps even experience some results. Keep in mind that offering testers can sometimes be messy, so professionals may want to keep them organized neatly in a separate area of the display. Be sure to clean and maintain the area on a regular basis.

Offering take-home product samples can be an expensive proposition that seldom generates additional sales on its own. Sample techniques that are more likely to increase sales include offering a product sample with a purchase. For example, if a client purchases a facial

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serum, give them a sample of a facial moisturizing product. The complimentary samples should be samples of the spa's higher profit margin products and of core products, such as layering products. Professionals want to drive products that give the fastest results and have the highest profit margin.

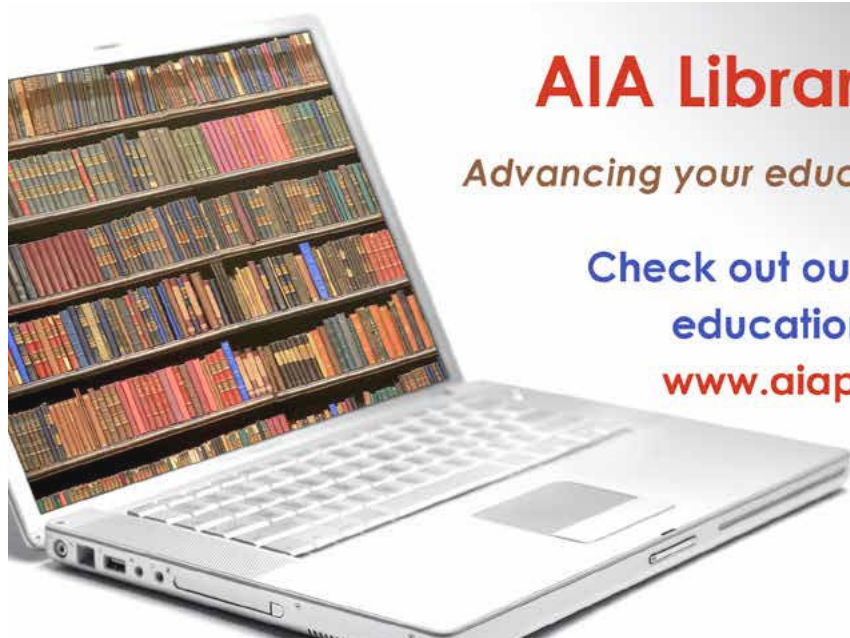
To benefit from sampling driven sales, having an educated salesperson is critical. A well-trained, knowledgeable salesperson can not only educate the client, but can also drive sales through effective techniques. For instance, have a client try a sample on the back of one hand, then have them compare that hand with the untreated one. With sampling, it is also important to develop a method of following up with clients for replenishment. At that time, professionals can inquire not only whether they need to replenish the facial products they purchased, but whether they benefited from using the sample and if they would like to include that product with their next order. A top-notch salesperson will keep notes and use that information to drive future sales by offering discounts on related products during a future visit.

Within each treatment room, there should be one or two retail items displayed with supporting literature, which are a natural complement to the type of service being offered. This display gives the professional providing the treatment the opportunity to soft sell the product by mentioning it casually during interaction with the client. Be sure not to overwhelm the client by trying to display everything in each treatment room and do not engage in hard sell tactics as those are counterproductive. Sales of retail products start in the treatment room. Displays should be changed up periodically



and replaced with different product offerings so they are always updated and fresh. This change helps educate the clientele about the many different products the spa offers, as well as ensuring there is something new and interesting to catch their attention. Consider making use of seasonal displays.

If the professional is fortunate enough to have a conference room or a private area for consultations, and the staff to handle them, they should consider adding a few retail display items in that room. For best results, they will want the client and the staff member to be seated during the consultation and product demonstration. Being at the same level promotes eye contact and



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helps clients engage more; the more they are engaged, the greater the likelihood of purchase. Another factor that affects engagement purchase readiness is comfort. The environment should be relaxed; it should not be too hot or cold, the lighting should be appropriate, and the chairs should be comfortable. Amenities to consider include a sink, if possible, or a cleansing light for sanitary purposes. A mirror is critical so the client can see themselves as they are applying facial and eye products. Also, be mindful of licensing requirements, which must be conformed to.

SALES TACTICS

Selling starts in the treatment room and soft sales should not wait until the end of the treatment to occur. Some ways to soft sell during treatments include asking the client how they are currently taking care of their skin and then discussing skin care maintenance using the products the spa sells. Remind clients during treatment that skin care maintenance is an ongoing, daily necessity that should be engaged in morning and evening, much like brushing your teeth. Another soft sell technique is to ask the client, “What are you seeing in your skin that you would like to change so that we can help you do so?” This question opens the door to educate the client about appropriate product offerings

in a non-threatening way. Less is more in this case. Do not overwhelm the client by talking about every product, instead offer information on one or two appropriate products.

Another sales tactic is to bundle retail items into a package with series of treatments. For example, include a homecare skin maintenance kit with a series of skin treatments. Also, consider bundling retail products into gift packs. Body care products are very popular holiday gift items; having ready-made gift baskets or bundles can boost sales. Consider including a gift card for a treatment with the gift sets. Change up the displays periodically and think seasonally. Facial products are more seasonal, moisturizers sell best during cold weather seasons, and sunscreen products sell best in spring and summer.

Consider reaching out to underserved markets. The spa’s retail area most likely focuses almost exclusively on women. Why not add a section for men and another for teenagers? Women usually learn about skin care from their mothers, but men and teenagers need training.


Men are curious about skin care, but do not know how to do it. Develop a whole educational program for them and make it gender specific and masculine. Perhaps offer a men’s skin care education night. Create men’s skin care bays with a masculine look. With men, professionals are starting the education process at

ground zero, such as wash the face at least twice daily. At the men's basic skin care event, do not overwhelm a man by discussing five or 10 different products; instead focus on two or three. Work on building a relationship.

Another reasonably untapped market for spas is the teenage skin care market. Most teenagers rely on discount stores for acne treatments or dermatologists. Teenagers are very image conscious. It is important for them to look good. They do not want to be embarrassed by blemishes and acne, but they do not have a solid understanding of skin care and blemish prevention.

Offer a teenage skin care seminar, possibly an after-school or early evening-weeknight event. Encourage parents to attend with their teenagers; after all, teenagers may not be willing to part with their own money as readily as they are to part with their parents' money. Keep the event short and limit the number of products to showcase. Teenagers have a short attention span. Perhaps a 15-minute presentation on basic skin care and blemish prevention and a 10-minute question-and-answer session. At the event, offer appointments for skin care treatments. These appointments should be available within the next few days. Consider offering educational information focused specifically on teenage skin care on the spa's website. Let parents and teenagers know that they are welcome to come to the spa for skin treatments when they need them because everyone understands that it can take weeks to get in to see a dermatologist and that is a lifetime to a teenager with acne.

INVENTORY

It is important to have the necessary stock to handle client purchases, but not so much that the professional ties up unnecessary amount of working capital. Stock should be secured to prevent loss, an accurate yet simple inventory system maintained, and it should be rotated for freshness. Display enough for visual appeal, but not so much that the retail area resembles a warehouse store. Inventory should be stored out of sight and the display area restocked frequently. The skin care industry is a rapidly advancing field with consistently new product offerings. Professional should be sure not to burden themselves with so much inventory that they cannot introduce newer, better products as they become available. 



Cheryl Whitman, founder and CEO of beautiful forever Aesthetic Business Consulting, has, for more than three decades, been the internationally recognized pioneering leader in the challenging field of aesthetic business development and marketing consulting – working with hospitals, spas, anti-aging centers, and physician practices to achieve dramatic results. Whitman's diverse background enables her to provide her clients with the highest level of personal attention, along with top-notch consulting support.

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