book4time

HOW TO JUSTIFY THE COST OF SPA MANAGEMENT SOFTWARE

INTRODUCTION

Running a spa or wellness business takes a lot of time and effort, which often leaves little time for managers and directors to focus on guest experience and revenue optimization. This is problematic, because guest experience is what makes a spa stand out from the competition and, in a market this competitive, standing out is key to success. Also, like any business, if there isn't time for revenue optimization, you will face a constant struggle to stay afloat.

Spa management software can help with all of this. The right software system can take care of almost all of the day-to-day minutiae of running a spa business, and help you optimize your revenue and increase profits. When it comes to running a spa business, software is among the best investments you can make. That being said, decision makers can be reluctant to make changes and may raise objections and a manager or director may be asked to justify why software is worth the "expense."

In this paper we'll look at some of the main reasons why spa software is not, in fact, an expense but a necessary investment into your business success.

REVENUE MANAGEMENT CAN SAVE HUNDREDS OF THOUSANDS OF DOLLARS IN LOSSES

Revenue management is the use of analytics to predict consumer behaviour and optimize product availability and price to maximize revenue growth. Simply put: it's "selling the right product to the right customer at the right time for the right price and with the right pack." One element of revenue management is yield management, which is the process of frequently adjusting the price of a product or service in response to market factors like demand or competition. It's most commonly applied when there is limited or finite capacity, such as with seats on an airline, or, in a spa, a service provider's time and energy.

A successful yield management system will optimize intake, minimize downtime, increase revenue, and keep your spa appointment book filled and your staff happy.

Figuring out how to manage your yield and revenue manually, however, can sometimes be a nightmare. There are too many variables and too much opportunity for error. Enter Book4Time's revenue management system. Reports estimate that implementing revenue management increases revenue by anywhere from 2% - 20%. According to the most recent ISPA Industry Report, the average annual revenue per spa location in the US in 2019 was $826,000. If we average the revenue increase to the median 12% and look at those numbers, that is a possible revenue increase of $99,120 a year, or $8,260 a month. Book4Time can cost less than that for a full year. Can you afford to leave that money just sitting on the table?

$826,000
average annual revenue per spa location in the US in 2019

$99,120
possible revenue increase using Book4Time

TURNING AWAY CUSTOMERS IS TURNING AWAY REVENUE

You're losing more revenue than you realize from turning away potential customers that you're unable to accommodate for one reason or another, like walk-ins. On average, a spa loses about 15% of a day's business from turning away. So, if you lose 15 out of 100 appointments a day at $150 dollars on average, that's $2,250 a day. For a spa that is open seven days a week and closed only at Christmas and New Year's, that's a total annual revenue loss of $816,750 — more than three quarters of a million dollars.

Every day your spa turns away customers -- maybe the desired therapist is booked, the time slot is filled, or the person wants a male massage therapist and there isn't one available. A regular customer will probably call back,

but research suggests that first-time potential customers who are turned away never call back - they end up going to another spa. That's where you will lose the most business.

You're probably not logging the reasons for turning away – and even if you were, this would be difficult to manage manually. Turn-Away Tracking removes the guesswork by automatically logging the reasons for every turn away. The system then creates an analytics report, and once you know why you're turning away, you can optimize your scheduling and facilities to accommodate the clients you're currently losing.

IF YOU'RE NOT OFFERING ONLINE BOOKING YOU'RE SETTING YOUR BUSINESS UP FOR FAILURE

Increasing numbers of people want to book appointments online, and if you don't accommodate them this will cost you. One study found that 77% of patients think that the ability to book, change or cancel healthcare appointments online is important. This is particularly important to millennials, who make up about a third of the global population. ISPA's Consumer Snapshot Volume VII, Millennial Perceptions and Preferences found that a majority of millennials are "spa-goers" and that nearly half of them did not book their last appointment over the phone.

When asked, "Thinking about your most recent visit to a spa, how did you book an appointment?" 40% of respondents booked by phone and 17% booked in person.

OF THE REMAINDER:

24%
booked via website on a laptop or PC

4%
booked via mobile app

7%
booked via social media

8%
booked via website via smartphone or tablet

That's a total of 43% of millennial respondents who used web or mobile technology, rather than a phone, to make their appointments.

Millennials actually don't make phone calls. Research conducted in 2016 by OpenMarket found that, given the choice between only being able to text or call on their mobile phones, 75% of millennials would rather lose the ability to talk versus text, and 76% said they prefer texts over calls from companies.

If that isn't convincing enough, research suggests that between 30% - 40% of appointments are booked outside of business hours (so, presumably, through a means other than the phone). Averaging those numbers and even allowing for half of those people to call back during business hours, losing just 17.5% of 100 appointments a day at $150 is a loss of $952,875 a year – or nearly a million dollars.

There is also evidence that people spend more money online. Book4Time's team has found that people spent an average day-spa ticket price of $120.44 when booking online versus $105.92 when booking by phone or in person, that's a 12% spend differential.
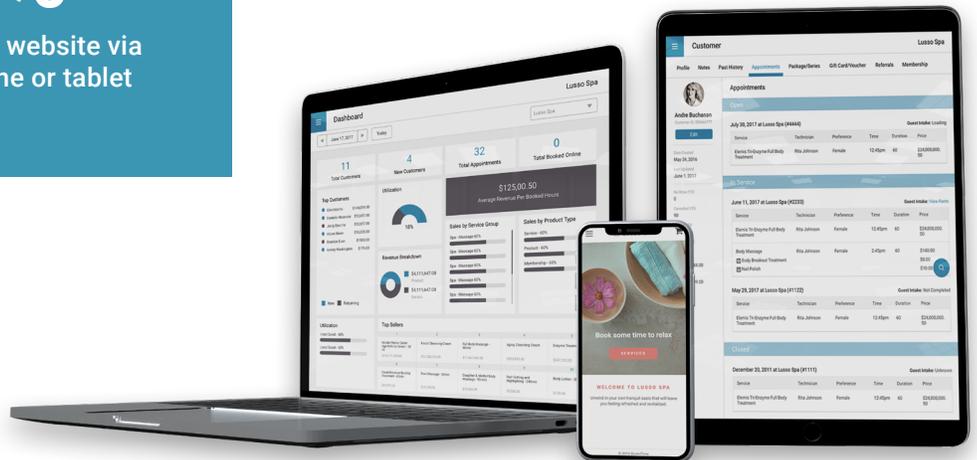
# TIME IS MONEY. WHY SPEND IT ON TASKS THAT WILL TAKE CARE OF THEMSELVES?

Manually tracking reports, including inventory and payroll can take a lot of time. Tracking payroll alone can take several hours a week, which means labour costs for time that would be better spent on other things.

For example, Shane Bird, Director of Spa and Environmental Services Operations at Turning Stone Casino, who manages the property's SKANA and AHSI spas, has said that using Book4Time's booking and payment systems reduced time spent on payroll from 6-7 hours a week to about 15 minutes. This is saving 350 hours, or nearly 9 work weeks, per year in labor!

And that's just booking and payroll. Overall, Bird estimated that Book4Time reduced time spent on administrative tasks at Turning Stone's spas by a stunning 92%.

If a spa director earns $110,000 a year (per Salary.com), 350 hours at $52.85 an hour is a total time expenditure of just under $18,550 a year.

A comprehensive reporting dashboard frees up this time to focus on the guest experience and revenue optimization.
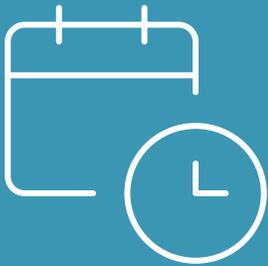
REDUCED TIME SPENT ON PAYROLL FROM 6-7 HOURS A WEEK TO ABOUT 15 MINUTES. THIS IS **SAVING 350 HOURS, OR NEARLY 9 WORK WEEKS, PER YEAR IN LABOR!**

YOU CAN'T PUT A VALUE ON SECURITY

A good software management system, particularly a cloud system, can help protect your company against potentially devastating losses in the event of a compliance issue or security breach. The cost of getting hacked can be enormous. Jason Karn, Chief Compliance Officer for Total HIPAA Compliance, told Book4Time in 2017. "Ransomware cost organizations $209 billion in the first quarter of 2016 alone. It's a multi-billion dollar industry at this point."

Federal fines for HIPAA violations can also be massive, ranging from $100 to $50,000 per violation (or per record). Violations can also carry criminal charges that can lead to jail time.

This is not a risk you want to be taking with your customer's personal information. It could cost you for the rest of your life. And let's not forget the simple value of knowing that your guests' information is safe in your hands and that they can rely on you to keep it that way.

At the end of the day, it should be easy to justify the cost of software with any one of the above examples, let alone all five together.

Understanding the benefits of spa software can help demonstrate that it is a wise business decision that will prove its worth sooner rather than later.