



INCREASE SPA REVENUE WITH YIELD MANAGEMENT



People in the spa industry love what they do, but we know that it's sometimes a passion project, as spas can often yield low profit margins.

Occupancy and revenue are dependent on factors that may be beyond your control, like season, time of day, socioeconomic factors, and more. Fortunately, yield management is a surefire way to maximize occupancy and significantly increase profits at your spa.

A subcategory of revenue management, yield management is the process of making frequent adjustments in the price of a product or service in response to market factors, like demand or competition, to maximize revenue. It's most commonly applied when there is limited or finite capacity, like with seats on an airline, or in a spa, a service provider's time and energy. There is ample evidence of yield management's benefits and it has been used in the hotel and airline sectors for decades.

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In the late 1970s, the first yield management strategies involved analyzing market factors, like time of year, day of the week, and destination and origin locations – to predict demand for airline seats and offer discounts, giving airlines the opportunity to sell seats that would have otherwise remained empty. From there, yield management applications have grown and it has since been said to have brought the air industry, almost on the brink of bankruptcy, back from the brink of ruin.

Throughout the 1980s the practice spread throughout the hospitality industry. A 1992 paper quotes Robert Crandall, former Chairman and CEO of American Airlines as crediting the survival of the company to yield management and estimating that the strategy generated \$1.4 billion in incremental revenue over a three-year period. He also said, "We expect yield management to generate at least \$500 million annually for the foreseeable future."

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Consumers have since come to expect fluctuating prices for airline seats and hotel rooms as a matter of course, and we know that the price of an airplane seat can change in a moment. Hotels use this strategy when they are located next to a stadium and a big game or concert is happening that weekend, or when there is high demand because of a holiday. This is also called “dynamic pricing.”

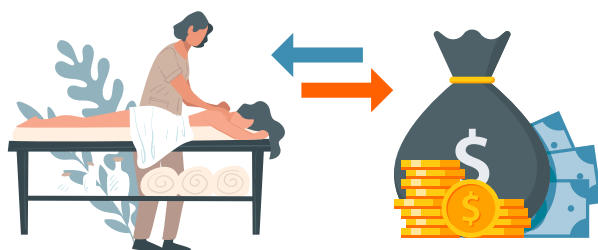
More recently, Uber has been using yield management to increase prices in high demand times, also known as “surge pricing.” And, again, people have come to accept it as a matter of course.

The spa industry has been slower to catch on.

Suzanne Holbrook, Senior Corporate Director of Spa Operations for Marriott International and Ritz Carlton, is an expert in yield management and revenue management. She oversees 160 spas at hotels and resorts and is recognized for an almost magical ability to produce outstanding financial results.

Holbrook told Spa Executive Magazine in a 2021 interview, “There’s always fear of change! But airlines took on this strategy many years ago and became very profitable! We are used to this with airlines and hotels, but not for spa. WHY? Let’s be the disruptors. We shouldn’t wait for every other industry to move forward.”

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However, she added that “successful implementation involves detailed analysis and careful decision making and planning within a framework of clear and effective policies and procedures.

“Put strong processes in place, and we can be the disruptors, and make the change,” said Holbrook.

Here are a few examples of best yield management practices for the spa industry.



Think twice before discounting

Spas commonly offer discounts to fill empty treatment rooms and this is an accepted approach to dynamic pricing. But savvy leaders often counsel against this strategy, particularly in luxury markets. Holbrook noted in a Spa Executive editorial that this can devalue a brand, and spas might not attract the clientele they want by positioning their businesses as discount houses with marketing and communication strategies like “Mud Wrap, 40% off,” and “Massage, 30% Discount.”

She explained, “While discounting is an easy way to attract extra demand, it is unfortunately only a short term solution. A discount strategy can have a negative impact on the consumer’s value of treatments, services, and brand. Consumers will want access to the discounted prices most of the time. Discounting will only downtrade revenue potential.”

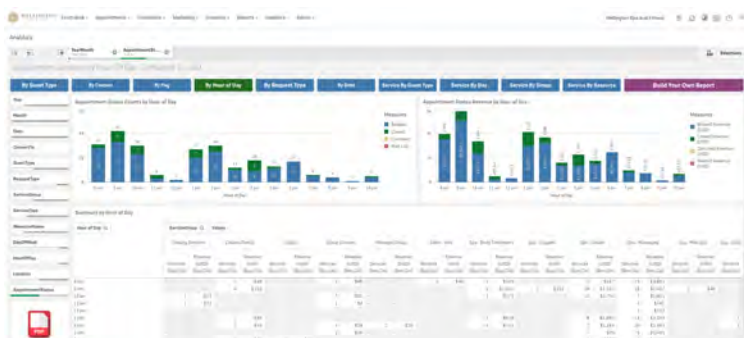
Consider other dynamic pricing options before moving to discounting.

Do a deep dive data analysis of your operations

Like discounting, implementing dynamic pricing in the wrong way can negatively impact your brand. Reducing and increasing prices during off-peak and on-peak hours, for example, can work in some markets and alienate people in others. Some consumers might wonder why they should pay more for a massage because they work weekdays and have children, and are therefore only available on a Saturday, than someone who is available Tuesday.

Fortunately, there are other dynamic pricing strategies that can yield the results you want. They start with taking a deep dive into your expenses and profits and structuring operations accordingly.

Your spa software’s reporting dashboard can tell you everything you need to know about your best-selling services and peak occupancy times.



Get creative and don't just do what everyone else is doing

Among the best strategies is offering your most profitable services during peak times – and only during peak times. This might mean the \$700 couples massage is only available Thursday-Sunday while less expensive services are only available Monday-Wednesday. Customers are less likely to take offense because a product or service is only available on certain days than they are to learn it's cheaper on some days than others.

Another option is to increase pricing in high demand times, rather than discounting in lower demand times. While this might seem like the same thing, it sends a different message, Holbrook explained, "If you're fully booked on Saturdays, between the hours of 2pm and 6pm, add an additional \$20 to each treatment. If there is push back (which there rarely is) offer an alternative of a low demand time, or day at regular rack rate."

You can also offer packages and series to those who want to lock into lower pricing.

These changes can result in higher commissions for your staff and a happier team. If they are paid by a commission rate or percent of a service, when you run your payroll reports, they may take home more from working a weekend than a Tuesday morning, which can also result in people wanting to pick up more of those prime time shifts.

Yield behavior | Exceptions | Locations

Name: **Weekday Morning Yield Down** | Created by: **William** | Action: **Yes**

Start date: | End date: | Apply to: **All**

Type: **Price adjustment** | SKD Title: **Massages**

Yield behavior

Occupancy start (%)	Occupancy end (%)	Start time	End time	Adjustment (\$)*	Apply to*
80%	100%	4pm	8pm	\$20.00	S M T W T F S
25%	50%	10am	1pm	-\$20.00	S M T W T F S
0%	25%	10am	1pm	-\$30.00	S M T W T F S
0%	50%	10am	8pm	-\$40.00	S M T W T F S

[Add new rule](#)

[Delete](#) [Save](#)

Incentivize your team to earn upsells and add-on revenue

Upselling means encouraging customers to purchase higher-value products or service instead of the intended one – upgrading to a 90-minute body treatment from a 60-minute massage, for example.



And cross selling is selling services or products on top of something a guest has already purchased. This is commonly applied with adding retail products onto a spa treatment, but can also be applied by adding VIP add-ons, mini treatments, and more, at time of booking the appointment, during confirmation communications, during check in, or during the treatment itself. Both increase revenue.

More than a decade ago, Holbrook launched a company-wide program at Marriott called Spa Plus in which the front desk or therapist would be financially incentivized to offer an upgrade with the treatment time, like stones, face masks, CBD, or scalp treatments, for an additional cost. The company developed a comprehensive training platform including manuals and videos to ensure the teams were fully educated and prepared and the program increased revenue by \$8 million in 2019 with an 80% profit.

Continue to track and analyze your data

Your guest preferences and market conditions will change, so you have to stay on top of it. Relying on data that is getting old can leave you vulnerable to losing revenue to market changes. Your bestselling services and busiest times one month may not be your busiest times and bestselling services three months later.

This means consistently revisiting your data to see what adjustments you can make to your yield management strategies to keep up with changes.

Book4Time's comprehensive reporting dashboards are said to be the best in the industry, and with these dashboard you can view every imaginable element of your operations. From there, you can come up with the most effective and efficient yield management strategy for your business.

Book4Time will also help you:

- ✔ Manage packages and series.
- ✔ Increase add-on and upsell revenue.
- ✔ Optimize your scheduling.
- ✔ Simplify and save time on payroll.
- ✔ Increase revenue with online and mobile booking.
- ✔ Easily integrate your hotel PMS and process room charges in real-time or transfer all spa revenue to your hotel system.



Are you ready to explore how you can take your spa revenue to the next level with revenue management?

[Book a demo with Book4Time.](#)

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