

## SPAS &amp; MEDICAL SPAS ARE AT RISK

# THE INDUSTRY'S NEW PREDATORS

By Sam Margulies

During the last few months, I have been involved twice in projects that from the beginning had no chance of success what so ever.... In both cases, the clients got angry at me for telling them the truth... but I had no choice but to tell the truth!!

The cause of these predetermined failures is called: "FRANCHISE". It is not the principle of franchising that is bad or wrong, it is a system that is proven to be extremely successful for many businesses. Many enterprise empires have been built on franchising systems, and it worked very well for many franchisees. So what makes these spas and medical spas at risk more than others?

Just a couple of weeks ago, a nice lady asked me to check her plans for a medical spa. She was very excited about her project and told me that the plans had been designed by a great company. When I saw the surface plan, I was in disbelief! With almost 2,500 square feet, the plans contained only three treatment rooms and no retail space at all!! The only income generating spaces were totalizing less than 20% of the surface of the spa! It is like paying construction and rent on the 100% of space and closing down over 80% of it from day one... (Please somebody explain to me why would one do that!)

I asked the lady what kind of design company had

conceive this plan for her, and her answer made me angry: The plans had been designed by her "franchisor"! She explain to me that she got involved with this franchising company that had proposed to her a complete package to make her business successful for herself as well as for them. So for an "entry fee" of \$50,000 US, she got the right to have them tell her what to do. I asked her many questions to understand what really is proposed to franchisees by this company for 50K a piece:

No business plan, no marketing support, no training, no branding, no hiring support, no management support, no visibility, no name recognition.

- Very bad surface plan.
- You choose the name you want for your business.
- You design the interior the way you want but must go with their colors.
- You have to buy the specific pieces of equipment they tell you. (Even if the equipment they force on you for laser hair removal is recognized as dangerous for some skin types.)
- You have to use a specific skin care product line that clients can buy elsewhere and that is definitely not recognized for its therapeutic effects.
- You have the right to... pay them more every year.

## MORE THAN OTHER TYPE OF FRANCHISES

When I was in business school, I learned that it is wise and intelligent to pay companies that have the knowledge and the capability to help you have a better business. In this case, it looks to me like the only capability of this so called "franchisor" is to stick at you like a leech, and soak your blood out of your body!

So if you are interested in buying a franchise, what should you look for? As far as I understand, there are a few major reasons that make a franchise interesting:

#### THE NAME RECOGNITION:

If you believe that your name is not good enough to do your own business, you look for a name that is already well established in your industry, with a reputation of professionalism, honesty and service. If you have to open your spa under your own brand name, or if the franchisor's name has bad or no recognition, you lose up-front the first benefit of being a franchisee.

#### A TURN KEY SYSTEM:

A franchisor must give you a complete system, and leads you in every step of the building of your business, from a structural perspective, as well as from a management perspective. If you feel at any point that some of these issues are not well enough established by the franchisor, ask yourself why would you pay him?

#### ADEQUATE EQUIPMENT:

The franchisor is supposed to have the experience and the knowledge about the different equipments on the market, and to direct you to the best equipment available. If like in the case of the lady above, the laser equipment they impose to you is known for leaving permanent marks and scares on olive, dark and black skins, ask yourself how knowledgeable they are, or better, how much are they getting as kick-back from this manufacture for every equipment sold to the franchisees.

Beside that, it is now clear why they don't want you to operate the franchise under their brand name, because if a client begins a law suite for permanent scares on her skin, it will be against you, not against the franchise brand.

#### AN EFFECTIVE AND EXCLUSIVE PRODUCT LINE:

First and foremost, the product line you are using must be good and effective, and be recognized for its qualities. But if you buy a franchise, your legitimate expectation is also to benefit from an exclusive branding that gives you some geographic exclusivity.

If the product line is not exclusively branded, and that the clients can buy exactly the same product under the same name in any other spas or medical spas around the corner, you lose every business opportunity that is to come with franchisee rights.

#### BRANDING, BRANDING, BRANDING!:

At the end, the value of a franchise is directly related to the visibility and recognition acquired by the franchisor on the market. If the chain Tim Horton would begin to advertise for their best "BigMac", they would be immediately face a law suite by McDonalds lawyers for hundreds of millions of dollars. If Guess would launch a new "521" jeans, Levi's would immediately attack them in justice for huge amounts of money. This is how powerful and important is branding in our consumer focused society.

If your franchisor doesn't bring to your business the branding element, what ever else he will do for you has no value in term of franchising.

In the last few months, I've seen a few different companies in North America hiding their sharpened shark teeth behind a nice appealing image of "franchisor".

What they propose to you is not a franchise to help your spa and medical spa project to grow, but a disguised bad consulting service for a too high price that at the end will cost you your dream your money and your business. Franchisor does not begin with a P... like predator!

So if you are interested in opening a spa or a medical spa under a franchise banner, make sure that the basic principles of franchising are respected, and that this will help you create a good business. ■



Sam is involved in the SPA market since 1996. He is regularly invited as a keynote speaker at the ESTHETIQUE SPA INTERNATIONAL shows in Canada, as well as in the United States at ISPA, SPA & RESORT EXPO, MEDICAL SPA CONFERENCE. He is writing articles for professional magazines such as SPA MANAGEMENT Journal, SPA CANADA Magazine, MEDICAL SPAS Review, and others. He was a member of the jury for the "2002 SALON OF THE YEAR" organized by the magazine SALON TODAY. He is recognized as a world leading expert in SPA conception and design.

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