

Key Questions to Ask When Considering a Medical Spa

Medical spas can help boost revenue, but they're not right for every practice. Ask these questions to ensure that such a large investment is right for you.

By P.S. Piland

Competition for the cosmetic patient has grown considerably over the past few years. Medispas and/or laser centers appear to be opening around every corner, which makes one wonder when the big coffee shops are going to start offering a “laser-with-your-latte” special. Everyone seems to want to take advantage of what appears to be a quick and easy money-making opportunity.

Physicians with whom I work get excited once they make the decision to open a spa at their practices. They want to move quickly and enter the market “before it is too late.” Once the stampede has started it is difficult to pull the reigns, but slowing down and considering all factors is imperative so that you do it right the first time. A well-thought, methodical approach is the best course of action when considering this kind of endeavor. As coaching legend Paul Bryant said, it's not the will to win, but the will to prepare to win that makes the difference. This first of a two-part series concluding next month will address a variety of questions that physicians should consider before making a decision to enter the medical spa arena.

SWOT Analysis

A useful subjective tool to use when beginning the strategic planning process is the SWOT analysis. SWOT stands for:

- Strengths
- Weaknesses
- Opportunities
- Threats

You can use a SWOT analysis to measure the internal and external factors that will affect your decision to enter the medical spa market. It will also help define the degree of success that is attainable.

Strengths and weaknesses address internal factors, while opportunities and threats address external factors. The strengths of your practice are your resources and capabilities that can be used as a basis for developing your competitive advantage. Some examples of strengths may include your reputation among patients as a high quality medical care provider, your unique skills or areas in which you excel compared to anyone else in your market, or your staff. The weaknesses are, in essence, the absence of certain strengths. They may include the inverse of the above listed strengths.

Opportunities may be external factors that can be used for increased profit and growth. A useful approach to identify opportunities begins with examining your strengths and asking if these create any opportunities. You can do the same with the weaknesses; ask yourself if you can identify any opportunities by eliminating specific weaknesses. Some examples may include the absence of a medical spa in your area, strategic alliances, a medical spa that recently closed in your area, or demographic changes. Threats may include a new physician or medical spa in your area, a competitor who was first to enter the market, shifts in consumer needs, or competitor price wars.

A SWOT analysis will be most useful in aligning your practice's resources and capabilities to the competitive environment. It will help provide a framework and direction for this initiative.

Importantly, be realistic and honest with yourself while examining your strengths and weaknesses. Remember to be specific, base your self-analysis on a comparison to your competitors, and keep the process as simple as possible.

The Right Questions

Once you complete the SWOT analysis, if you are still contemplating a medical spa for your own practice, it's important to ask and answer several key questions. I spoke with Kenneth Beer, MD, a physician in private practice in and owner of a medical spa in Miami, FL, and Devon Boggs, a practice administrator for Sarasota Plastic Surgery, also in Florida, to pinpoint several questions to ponder.

1) *Where are the patients?*

For a relatively significant period of time, physicians and medical practices have recognized that cosmetic patients are being drawn away by a variety of different sources. Providers have been searching for new ways to respond to this “encroachment” upon their patients. One option has been to expand the services offered by the practice. A medical spa is one way to achieve this goal. The International Spa Association (ISPA) reports that consumers made 136 million spa visits in the United States in 2003, spending a total of \$11.2 billion.

ISPA also notes medical spas are the fastest growing segment of the spa industry. This is a tempting revenue stream to the medical community and one that should be considered, albeit carefully and with an eye out for both the pros and cons of such an undertaking.

2) How difficult is it to open a medical spa?

Opening a medical spa is similar to the process of opening a surgical center or a medical practice. While opening a medical spa will likely be somewhat less complicated than opening a surgical center due to the regulations involved with a surgery center, it still presents many of the same challenges. This is a major undertaking; you are not simply thinking of adding a service or offering, but potentially adding a whole new dimension to your practice.

3) What is the goal in opening a medical spa?

Practices that ultimately choose to expand their aesthetic services do so for a number of reasons and with a variety of goals or motivations in mind. Following is a look at the most common reasons practices give for expanding their cosmetic service offerings.

"I want to increase my patient retention rate by expanding the services currently offered within my practice." The under-

lying goal is to satisfy the needs of current patients. This is a good defensive posture to take. The thought is if you can limit your patients' exposure to other practices or spas, then you may have a better chance to keep them in your practice. Once you have achieved this, you can focus your efforts upon moving them up the ladder of cosmetic procedures. Patient retention is critical to the success of any practice. To help reinforce this strategy, consider these well-known statistics:

- **Cost:** It costs five times more to attract a new patient than to keep an existing one.
- **Profit:** Retaining merely five percent more existing patients produces a 25 percent increase in profit.
- **Referrals:** Happy patients tell four to five others; dissatisfied patients tell nine to 12!
- **Pricing:** Satisfied patients demonstrate less price sensitivity.

"I want to draw more patients to my medical practice." This is one of the more popular goals or motivations among physicians considering a medical spa. This requires clear communication to the medical spa staff of your objectives and expectations. It is important that the medical spa customer does not feel he or she is being forced into a high

pressure sales environment. One way to avoid this is to create an environment conducive to patient education. This can be achieved in several ways. A cosmetic interest questionnaire can be used when the medical spa customer is checking in. This will help create awareness of all of the services available. It also moves the conversation towards educating the customer on topics in which they have shown an interest. You should have (or create) a detailed menu of services that lists what is offered by both the medical spa and the medical practice. This is an excellent form of internal marketing. You are creating an awareness of what you offer. Professional vendor brochures on specific procedures like Botox®, breast augmentation, cosmeceuticals, etc. can help provide more detailed information.

"I want to have a stand-alone medical spa that will generate big profits quickly without my involvement." Setting realistic goals is important to achieve success. If this is your goal, you will most likely be disappointed.

In next month's article, we will go over specific details pertaining to the maintenance, staffing, and management of a medical spa as Dr. Beer and Ms. Boggs offer more practical tips for running your practice and medical spa. ❏

One Tip

When asked to offer "one tip to a physician considering opening a medical spa," participants said this:

Dr. Beer: From my experience, spas make money only insofar as they refer patients back to the physician or medical practice for Botox®, liposuction, laser, etc. By themselves, medical spas are not the profit centers that many physicians, myself included, thought they would be. They can be wonderful sources of revenue if your staff sells a lot of product and if the spa is attached to the office, thus encouraging a free flow of patients. The downside is that you have another set of employees that bring their own issues, and you will alienate some patients that see the medical spa business as 'selling out.' You have to balance this with the potential referrals and revenue that a spa can bring.

Ms. Boggs: Don't go into this project half-hearted or unprepared. Give yourself more time than you think you will need to open it because there are so many details to manage.

Mr. Piland: I have observed medical spas that weren't successful and ended up losing money. One recurring theme was insufficient planning. This brings to mind an old, but true, adage: if you fail to plan, you plan to fail. Remember the five Ps for success: Prior Planning Prevents Poor Performance.