



The Hotel Spa: Spa del Rey at the Ritz Carlton Marina del Rey

Background: In 2013 Host Hotels & Resorts was seeking an operator for their eight room Spa at the Ritz Carlton Marina del Rey. The former third party spa operator abruptly closed the operation, leaving the location closed for two years.

Trilogy's Challenge: In a competitive market, launch a luxury Spa that overcomes the reputation of the previous closures with both guests and employee partners while delivering rent to Host Hotels & Resorts.

Overall Objective: Deliver a luxury Spa experience for hotel guests that also attracts local guests to the Spa and the property. In addition, grow the business to profitability while paying rent to Host Hotels & Resorts.

Strategy (Yield Management): While the Spa industry hasn't reached the level of sophistication found in hotels and airline yield management, proper utilization of third-party discount sites like TravelZoo and Groupon can provide many of the same benefits. After Trilogy built a team of highly qualified therapists who could deliver exceptional service, targeted packages were developed for these sites to help attract new local guests to the Spa. These offers were restricted to periods of low-demand to supplement periods of low hotel demand and boost revenues and customer information databases.

Strategy (Retail Sales): Trilogy partnered with Natura Bisse for its skincare line in order to support a healthy retail program from the start. Natura Bisse brought brand recognition and innovation to the Spa's retail offering and was critical in driving additional retail sales. Trilogy partners with recognized international brands, so the customer has a familiarity with the product and doesn't have to be convinced of its efficacy or legitimacy. Using recognized brands effectively can eliminate one of the major hurdles to closing a retail sale. Prestigious skincare brands also add value to the Spa's facial services, a popular service for local guests and a main driver of retail sales.

Strategy (Local Guest Channel): In addition to using third-party discount sites, public relations and social media campaigns were used to introduce the Spa to local customers. After the guests had visited the Spa, their contact information was collected and Trilogy developed targeted, time-sensitive offers to entice the guest to book a second visit. Repeat guests were critical for the success of this Spa, and local guests are the primary source of repeat business. Trilogy focused on growing this segment which now represents 20% of all local guests and 40% of all local guest revenues. These guests have a 220% higher retail penetration than non-repeat local guests and a 120% higher retail penetration than the average guest. Overall, repeat guests are 30% of revenues while being only 15% of total guest counts.

Strategy (Gift Card Sales): After ensuring a luxury Spa experience and building a database of clientele, Trilogy began to utilize the gift card channel to attract new customers via referrals from past guests. Building a strong gift card business is driven by a strong local business. By offering incentives and effective marketing to these guests during holidays, Trilogy was able to drive increased gift card sales each year. Local guests gifted these to friends and family who became a new Spa guest to convert into a repeat client. This new business also built a broader database to target during the next gift card campaign, driving a 250% increase in gift card sales over 2 years.

Strategy (Corporate Support): Many of the above strategies would have been difficult to implement in a standalone Spa of this size due to budget limitations for additional overhead support. Often, the Spa Director is expected to handle all aspects of the business. It is rare to find a Spa Director who excels in Operations, Marketing and everything in-between as it draws from a broad skillset. Given Trilogy's specialized focus on luxury hotel spa operations, additional corporate support was available to assist the Spa Director in implementing these strategies, and best practices at other locations were able to be adopted quickly. The support provided by Trilogy's corporate team also allowed the Spa Director to focus on the operation which is the necessary condition to successfully implement all the above strategies.

Results: Revenues cleared \$1 million by the end of the first full year of operations and have stayed above that mark even through a five-month hotel renovation. The Spa has enjoyed high service scores and continues to grow its revenues and exposure in the local market.

Takeaway: A small Spa can be difficult to profitably operate without specialized focus and corporate support. The revenues cannot support significant investment in administrative overhead and without that investment, it can be difficult to achieve the full revenue and profit potential of the space. Trilogy was engaged to create the Spa the property needed to succeed while providing rent to Host Hotels & Resorts eliminating their risk of loss.