

# Hospitality

## Exceeding Expectations

An Interview with Todd Walter,  
Chief Executive Officer, Red Door Spa Holdings



**EDITORS' NOTE** Todd Walter has been with Red Door Spa Holdings since July 2005, holding the positions of EVP and CFO, before being elevated to COO in March 2006 and to his appointment as CEO in October 2006. Prior to joining Red Door, Walter provided both financial and senior operating leadership to struggling companies in varied positions including as CFO and acting COO of Naked Juice; CFO of Cluett American Corp. and Cluett, Peabody & Co., Inc.; acting Vice President of Operations for Mobile Media Corporation; and Treasurer of a private, post-secondary education company. Walter is an alumnus of Alvarez & Marsal, Inc. Before this, Walter spent seven years in the commercial lending and workout field. He was a Vice President in Chemical Bank's Special Loan Group, and prior to that, he was a commercial loan officer for National Westminster Bank, USA.

**COMPANY BRIEF** With its renowned beauty expertise based on the fundamental philosophy of day spa pioneer Elizabeth Arden, Red Door Spas ([www.reddoorspas.com](http://www.reddoorspas.com)) operates day and resort spas nationwide and is committed to enhancing the lives of its guests through beauty, harmony, and well-being, and to offering pioneering techniques, quality treatments, and advanced services.

Red Door Spa Holdings is a privately-held company backed by North Castle Partners. Red Door Spa Holdings owns and operates spas and licenses trademarks from the publicly-traded fragrance and cosmetics company, Elizabeth Arden, Inc., and is a separate corporate entity. Red Door Spa Holdings currently owns and operates 50 full-service salons and day spas across the United States including 31 Red Door Spas in freestanding locations and upscale resort and hotel properties, 18 Chicago-based Mario Tricoci Hair Salons and Day Spas, and one prototype location of the newest division, Simply Face & Body, in New Jersey.

### Are you happy with the understanding of the Red Door Spa brand in the market today?

Definitely. We reworked our mission and vision four years ago to more accurately reflect how our associates feel and what we believe to be the original vision of spa pioneer, Elizabeth Arden.

So our mission to our guests is to exceed their expectations by providing them with impeccable customer service, expertise, and the finest quality products. It's those three things

that tie back to the heritage of the brand and what it has always stood for, and what it still stands for today.

The misperception is that we are a more mature woman's brand, when in reality, the average age of our guest is just 38.

### This brand is known for consistent service standards. How have you been successful in that area?

Training is what leads to the retention of our people. It's about the right people doing the right things the right way. If we do that, it leads to great guest experiences, which leads to repeat visits and referrals, and that leads to revenue and profit growth.

If we expect our associates to deliver great guest experiences, we have to give them the tools and training they need to take care of the guests. With 31 Red Doors around the country, each location has an educator for each department – hair style, color, nails, face, body, retail, and guest service. Our national training directors for each department hold semi-annual training summits for the educators in their respective areas. Those educators are responsible for going back to their individual units and training their entire department on what they learned. It's technical, but also includes refreshers on guest service.

### With the proliferation of spas over the past few years, is it tough today to differentiate?

If you don't deliver on what you say you will, the world will know about it. Guests who have tried you won't hesitate to rate you.

A few years ago, we introduced a process called the Net Promoter Score. We eliminated mystery shopping and replaced it with what we call a guest experience survey. We ask two questions: On a scale of 0 to 10, how would you rate your overall experience at Red Door today and how likely are you to refer Red Door to a friend? Our theory is that if you rate us a 9 or 10, you're a promoter; if you rate us a 7 or 8, you're a passive – neither for nor against; and if you rate a 6 or lower, you had a bad experience and are a detractor.

Our Net Promoter score is the percentage of promoters minus the percentage of detractors. Our companywide score today is 81 percent on a year-to-date basis. But what is more important than the overall score is the slope of the line, which gives us immediate feedback as to whether we are continuously improving.

Our average rating over the two and a half years is 9.2. It's nice to give that positive feedback to the staff. Every general manager is required to call any detractor within 48 hours. We apologize and seek to understand how we failed so we can correct it going forward. Clients are often surprised that we actually read the comments and call them. We want to wow them, but we also want to take care of the problem.

### Are you at the right number of locations in the U.S.? Do you foresee that changing?

We have a database of the lifetime value for all our guests. We took a sampling of a thousand of the best guests per location and collected demographic and psychographic data about them. We worked with a company to build a predictive model based on the make-up of those core guests that allows us to pinpoint by zip code where we think a Red Door Spa would be successful.

Utilizing that model, we've identified another 100 locations in the U.S. alone that could support a better-than-average Red Door Spa. The average freestanding Red Door today does about \$3.3 million in revenue. The additional 100 sites says that Red Door can and should be a \$450-million brand in North America.

### Are there opportunities overseas?

The opportunities overseas are even greater than those in North America. Elizabeth Arden distributes product around the world so we benefit from that.

We are pursuing a joint venture in India, where the consumer perception of Elizabeth Arden Red Door Spas is super premium luxury. Since we don't have local market knowledge, we're looking for joint venture partners who have interest or experience in beauty and who bring that local knowledge to the partnership; we'll bring the intellectual property, the trademarks, and the know-how to open and operate multiple units across broad geographic areas.

A second opportunity is through hospitality. Every four and five-star hotel has to have a spa amenity. Of the 31 locations we have, 24 are freestanding and 7 are in resorts or hotels. Hotels realize it's a different business that requires attention and expertise and that hotels with branded spas do better in terms of ADR, occupancy, and RevPAR than hotels with private-label spas or no spa at all. ●

Todd Walter and the Red Door Spa Beauty Bus