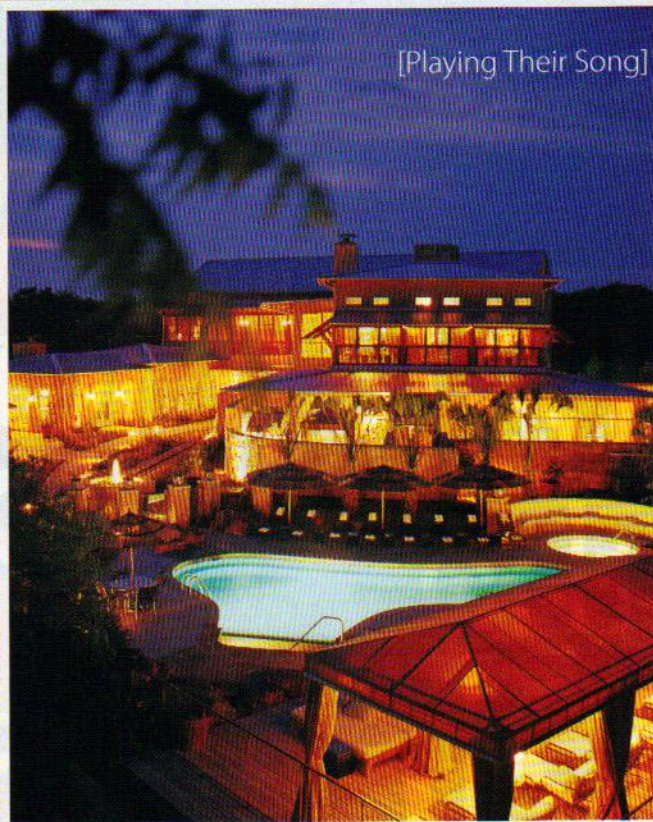
A person is relaxing in a spa lounge, with their legs stretched out on a large, tufted ottoman. They are wearing a white towel and dark sandals. The background features a dimly lit room with a lamp, a framed picture, and more lounge furniture.

# Taking the Plunge

Retail company  
Coldwater Creek  
is claiming its  
terrain in the  
day spa world.

By Bekah Wright





[Playing Their Song]

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## LakeHouse Spa, Lake Austin Spa Resort Austin, TX

Perhaps because Austin is considered “the live music capital of the world,” spa director Angela Taverner believes in the power of musical choice at LakeHouse Spa ([lakehousespa.com](http://lakehousespa.com)). The spa uses an Imerge SoundServer system, which has the ability to store an entire CD collection and also offer musical channels such as classical, nature sounds, multicultural selections and New Age, as well as a very popular local Austin radio station. Taverner says the system is reliable and poses “no real difference in cost for us.”

LakeHouse Spa clients peruse their music choices while undressing before their treatments. Many choose upbeat music, reports Taverner, “especially if they’re having an invigorating treatment like the Ruby Red Grapefruit Refresher or the Coffee Scrub and Massage.”

The system is a hit with therapists as well. “On the whole, our therapists like that we give clients a choice,” says Taverner. “It gives them a feel for the client’s personality and sets the right mood. Besides, then they don’t have to listen to the same music over and over again.” ●

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Commit to a vision and odds are it will become a reality. Such was the case in 1984 when Dennis and Ann Pence founded their own catalog company. At the time, 18 items were featured on the catalog's pages. The duo took orders from their home telephone, with Dennis bicycling to the post office to dispatch shipments. Fast-forward to 2006, by which time the Sandpoint, Idaho-based company had moved from its small home-based headquarters to a 20-acre campus with customer service, distribution and tech centers. Many more catalog pages had been added to accommodate the 3,000 items featured. Furthermore, a whopping 239 retail stores had opened across the United States under the now-familiar name of Coldwater Creek.

Story over? Not quite. Now the company has set its sites on a new venture—the creation of Coldwater Creek ~ The Spas.



# Coldwater Creek

## THE SPA



### Getting Its Feet Wet

Coldwater Creek conducted 18 months of research in the \$11 billion day spa industry before deciding to take the plunge. "We saw that the demographics for the day spa user and our core customer were almost an exact match," says David Gunter, divisional vice president of corporate communications. Over the years, the company's customer base—professional women between 35 and 60 years old—has been drawn to its distinctive clothing and accessory line as well as its well-reputed customer service. (In 2005, Coldwater Creek was chosen the No. 1 retail company for customer service in the specialty apparel sector, and No. 2 for all retail companies in the United States combined, in a survey conducted by the National Retail Federation.)

The company saw the spa market as a medium to further extend that service. "This particular industry was one of the most customer service-centric opportunities out there," says Gunter. "This would be a chance to bridge one of our core competencies into a whole new environment."

Undaunted by estimates that start-up costs for developing several spa locations would negatively affect Coldwater's fiscal 2006 earnings by two cents

per share, the company settled on six locations as launch sites based on the number of Coldwater Creek Internet and catalog customers living within a 50-mile radius of shopping centers with established Coldwater Creek retail stores. The first spa opened in April 2006 in Tigard, Oregon, followed by locations in California, Colorado, Illinois and Texas opening between May and July.

To help ensure that the spas lived up to the company's reputation for service, spa directors were hired for each Coldwater Creek ~ The Spa location. Liz Dawson, spa director at the Simi Valley Town Center site in Simi Valley, California, is a resident of neighboring Thousand Oaks and was recruited from a large day spa chain. Though staffing the new spa was a priority for Dawson, getting to know the Simi Valley area was equally important. "I became familiar with which resources in my area I could tap into and made myself very visible," she says.

Visibility has been key for all of the new spa directors. In fact, beyond targeting the millions of names in Coldwater Creek's customer database through direct mail and email, the company's strategy includes encouraging spa directors to interact with local women's organizations. "Because the business



is new and growing, we're always reaching out," says Dawson. Having the corporate structure, especially the marketing department, at their disposal has made getting the businesses up and running easier for the spa directors. "We receive a lot of support from corporate headquarters," says Dawson.

Throughout the spas' development process, national trainers schooled in various disciplines established a treatment menu including facials, manicures, pedicures, massages, body treatments and packages. Waxing and cosmetic consultations and applications are also planned; however, nothing is set in stone. "Our menu is evolving," reports Dawson. "We're very focused on responding to the needs of our customers. Right now there are no big gaps in our menu, but we'll pay attention to the changing market and add services if necessary." In addition, Dawson says the company is open to creative input when it comes to the menu. "When you have an idea, they'll say, 'Give it a whirl. Create a template.'"

Though based at corporate headquarters, the national trainers' time is spent traveling in the field coordinating with vendors of products used in treatments and keeping department leads current on treatment protocols. This includes 150 hours of additional training for licensed and certified spa staff. "The trainers are constantly working to create a consistent treatment experience across the country," says Gunter. Spa staffing is an evolving element as well. "I'm always in flux mode," Dawson says of her team in Simi Valley. "During pedicure season there are more demands for nail services. During the holidays I need more support and front desk staff."

### The Water's Fine

Before launching its spa brand, Coldwater Creek conducted extensive customer focus groups to get into the mind-set of customers and determine what they wanted from a spa. The result is a layout that blends comfort and functionality. Each spa encompasses approximately 5,000 square feet. Customers enter a greeting/retail area where they can kick back in low-slung chairs and relax to the sounds of music and water trickling down a wall-mounted fountain. Shoppers can peruse the boutique-like setting's shelves stocked with beauty products, robes, jewelry, music and self-care items to assist in creating a home spa experience. Another perk for spa-goers is the line of special Coldwater Creek casual wear found only at the spas.

Prior to treatments, an attendant escorts all spa guests back to the changing area, allowing them to get an eyeful of decor reflective of the Coldwater Creek brand. Inspired by the corporate headquarters' surroundings in Idaho's Selkirk and Cabinet Mountains and Lake Pend Oreille, the spa's design incorporates stonework, wood accents, water features, bamboo floors and paint colors that range from soft sage to warm chocolate. "We've managed to create a destination experience in a client's own backyard," says Dawson. "Everything from the paint on the walls to the music we play has been chosen with a great deal of detail and consideration for the client's experience."

Knowing its clientele, Coldwater Creek's spas don't skimp on space in the women's changing areas. The Simi Valley location, for example, houses a large common area stocked with complimentary toiletries, lockers, four changing rooms, two showers and a rest room. Instead of a full-fledged changing area for men, a flex room and shower are available. Heated tile floors in the changing, relaxation and treatment





## Spa Facts

**Name:** Coldwater Creek ~ The Spa

**Founded:** 2006, by Dennis Pence, chairman and CEO of Coldwater Creek

**Locations:** Tigard, Oregon; Simi Valley, California; Santa Rosa, California; Lakewood, Colorado; Naperville, Illinois; Southlake, Texas

**Size:** Approximately 5,000 square feet

**Facility areas:** Relaxation area, women's locker room, nail services area, six treatment rooms that can be used for all treatments, flex room with shower for male clients, boutique with spa products and apparel at entrance

**No. of employees:** Varies seasonally and by spa; department heads for massage, nail care, skin care and front desk

**Average spa service ticket:** \$100

**Signature services:** Hot River Stone Massage; The Ultimate Pedicure

**Biggest revenue generator:** 60-minute massages and facials

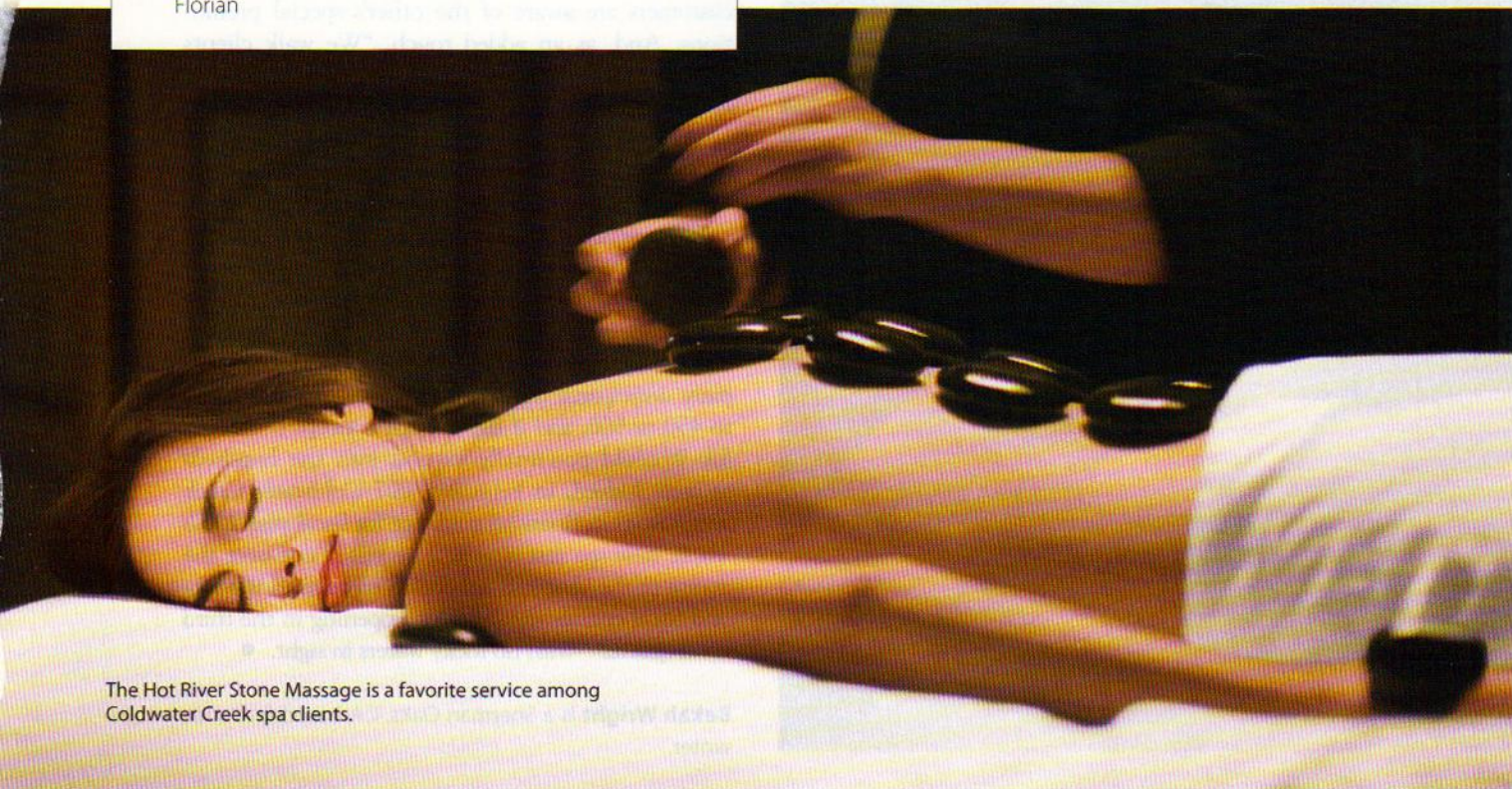
**Clientele core:** Women over 40

**Product lines:** Aromafloia, Creative Nail, Image, Kerstin Florian

rooms provide a pleasant surprise after services.

After changing, spa-goers make their way to the coed relaxation area to recline in overstuffed chairs with ottomans. Attendants are on hand to personally mix hot tea concoctions in large white mugs that warm clients' hands, while a heated wrap does the same for their necks. The next step elicits purrs—a complimentary foot ritual that precedes each service appointment. Clients place their feet in a large bowl into which an aqua-colored eucalyptus foot soak is poured from a pitcher. A gentle scrub follows. "It sets the tone for the rest of the customer's experience," says Dawson.

Each spa typically includes a nail area and six multiuse treatment rooms. The Ultimate Pedicure is among the top-requested treatments, mostly due to the spas' reclining pedicure chairs. "You can actually sleep through your pedicure," says Dawson. In the treatment rooms, electric lift massage tables are decked out in down comforters and linens that are sent out for steaming and pressing. The lighting, temperature and music are adjusted to suit each customer's preferences. Organic treatment products and extra comfort promoters such as eye pillows round out the treatment experience. Says Dawson, "These are the little touches that let customers know



The Hot River Stone Massage is a favorite service among Coldwater Creek spa clients.



we care and are celebrating and pampering them.”

### Around the Bend

During the course of its first year, Coldwater Creek ~ The Spa encountered some pleasant surprises. Dawson, having worked at a spa where up to 50 clients could be on the premises at once, was thrilled by the face-to-face time with clients made possible by the spas’ intimate environments. “I feel more connected and have time to provide more individualized attention for guests,” she says.

The customer roster is surprising too. “We’ve noticed that a fairly high percentage of women in our demographic haven’t experienced a day spa,” says Gunter. “So relationship building and creating trust in the spa environment have been extremely important for us.” That focus extends to other clientele as well—namely, men. According to Dawson, 5% to 10% of the Simi Valley location’s

customer base is male. “Oftentimes, wives bring their husbands to introduce them to the concept of spa,” she says. “They recognize that their husbands need the relaxation and therapeutic benefits of massage, and they’re looking for an activity they can share besides going out to dinner or the movies.” She says her male customers lean toward the Hot River Stone and Deep Tissue Massages, although the Gentlemen’s Facial is also popular.

Repeat clientele is important to the spas’ success, comprising about 40% of their business. Many clients come for 60-minute massages and facials, and Dawson would like to expand on that. “For me, the ideal situation is to have our weekly maintenance customers try something out of the ordinary, and get inspired to introduce friends and relatives to this special treatment,” says Dawson. “These new customers can then get hooked on what we provide on a consistent basis in terms of maintenance.”

A dedicated website has been established for Coldwater Creek ~ The Spa ([coldwatercreekthespa.com](http://coldwatercreekthespa.com))—with no links between the spa website and that of the retail stores. “What we’re looking at closely is whether or not we have the ability to have one concept promote the other,” says Gunter. For now, the two divisions of the company make sure customers are aware of the other’s special promotions. And, as an added touch, “We walk clients back and forth between the two locations to provide an extra level of service,” says Dawson.

As the six test spas approach their one-year mark, Coldwater Creek’s newest pursuit will be re-evaluated. “We’ve tested various concepts over the years and in our experience it takes at least a year, if not closer to two years, to roll out a new concept,” says Gunter.

So far, it appears that customer response to the experience at Coldwater Creek ~ The Spa has been overwhelmingly positive. Looking forward, the company anticipates tripling its number of retail stores to 450 or 500, and if the day spa concept is successful, it could potentially expand into the hundreds as well. Indeed, in February 2007 Coldwater Creek announced its financial guidance for fiscal year 2007: Three new spa test sites will be rolled out over the course of the year, one scheduled to open in the second fiscal quarter the other two opening in the third fiscal quarter—with no rocky waters in sight. ●

**Bekah Wright** is a Sherman Oaks, CA-based freelance writer.

Coldwater Creek plans to pay attention to the changing spa market and add services as client interest dictates.

