Body Shop
Can a California plastic surgeon find success in the spa business?

By Brian O'Reilly
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(FORTUNE Small Business) – Brian Eichenberg is a plastic surgeon with a plan. From his practice in Temecula, Calif., the doctor sees exploding national demand for all manner of cosmetic procedures, from Botox treatments to laser hair removal. An entrepreneur could get seriously rich, he reckons, by tapping that market on a mass scale.

Eichenberg is already one of the most popular plastic surgeons between San Diego and San Bernardino. He has a four-month appointment backlog, and annual revenues for his one-doctor practice are already in the low seven figures. "It's more money than I ever imagined I'd be making," he says.

But Eichenberg wants to be more than just a scalpel for hire. You don't need a doctor to inject Botox or run a laser machine. So the burly, energetic surgeon wants to place his own nurses and technicians in day spas nationwide. He sees cosmetic surgery as a natural extension of the spa experience: Clients who come in for a day's pampering can shed unwanted wrinkles and follicles in between the mud bath and the shiatsu massage. And he reckons that any client who wants more elaborate work, such as breast augmentation or a facelift, will naturally call him.

Eichenberg, 36, has been pitching his vision to local spa owners for the past 18 months. He currently partners with nine day spas in the region, renting clinic space for one or two days each week. It's not a bad business. All told, the nurses see about 250 patients a month. A modest dose of Botox or collagen costs $350, and 15 minutes under the laser goes for $300. Eichenberg pays the spa owner about $100 per day to rent the room and shares a tiny fraction of the revenues. "The customers love it, the spa owners love it, it's profitable for me," says Eichenberg.

But some tricky issues arise as he contemplates shifting his business plan into high gear. Unlike most surgeons, Eichenberg goes home to his wife and kids at five o'clock each day. How much extra time will he need to manage a growing spa business in addition to his own surgical practice? Instead of Eichenberg's paying rent to the spas, shouldn't spa owners pay him to open a clinic on their premises, because his practice attracts customers? How can he build a strong brand? And given that the good doctor can pull in $10,000 to $15,000 for an afternoon's surgery, is the spa venture a smart use of his limited time?
FSB recruited three experts to help answer those questions. James Stoodt, 42, is a medical-practice consultant with the Santa Ana, Calif., office of Deloitte Consulting. Gary Richmond, 28, is an independent IT consultant from Pasadena who once worked with Stoodt to fix tech problems at a local teaching hospital. And Dr. Ghanima Maassarani, 50, is CEO of a company that manages the Sher Institute for Reproductive Medicine, an innovative, fast-growing chain of fertility clinics that operates in nine cities across the U.S. (See "Babies Inc.," November 2003.)

Stoodt drove out to Temecula to meet with Eichenberg and his business manager, Erin Anderson. When the consultant turned up with a junior staffer, Eichenberg realized that everyone could not fit in his cramped and stuffy meeting room. So he yanked off the surgical mask dangling from his neck and whisked the group to a diner across the street.

Stoodt's first question forces Eichenberg to confront the gaps in his master plan. "When you go to bed at night thinking about this business, what do you see?" he asks. Eichenberg's reply: "I've been winging it." He figures his personal visits and his reputation will help him sell the idea to spa owners for now, but he's not sure that will be practical long term. Meanwhile he's hired marketing experts who proposed a brand name, Renuance, and some snazzy graphics. "I want the brand to have a reputation of its own," he says. But how?

Stoodt asks how much the spas contribute to Eichenberg's bottom line. "We haven't tracked that," Anderson replies. "We view it as an inexpensive form of marketing." Stoodt frowns. "Get a handle on that. Surgery is the fuel that drives your entire business. You don't want to spend a lot of time chasing Botox margins if people are lined up waiting for plastic surgery."

It quickly becomes clear that Eichenberg hasn't quite figured out his business model. "Are you going to use the day spas to feed a bigger business with five or ten plastic surgeons?" asks Stoodt. "Or will you be the Starbucks of plastic surgery—a high-volume niche approach with a booth in 100 spas, serviced by a nurse?" Eichenberg isn't sure.

Unlike plastic surgery, Stoodt points out, the relatively simple procedures performed in spas are a virtual commodity. Although Eichenberg seems to have few competitors in the region now, there's nothing to prevent spa owners from replacing him with a lower-cost provider. "Do you require the spas to prominently post your name and publicize your presence?" Stoodt asks. No, says the doctor. "You should," says Stoodt.

Also, the reservation process needs to be faster and easier, Stoodt says; he was routinely put on hold when he called Eichenberg's office. On his way to Temecula, the consultant stopped at two of the doctor's spas. One featured a cozy, welcoming space for his patients. In the other, Eichenberg's clinic was
relegated to an austere back room. Stoodt observed nurses using different techniques for similar procedures, which dilutes the brand and could increase the risk of medical complications. "Developing best-practice procedures for the nurses is the best way to deliver consistent results," Stoodt says.

The next day tech consultant Gary Richmond turns up to help the doctor's far-flung nurses and technicians communicate better with the home office. Right now the spa nurses aren't connected to Eichenberg's central scheduling program. So each time a nurse wants to schedule a simple Botox or collagen treatment, she must call the main office to see what times are available. Though Eichenberg tried to streamline the reservation process by giving each nurse a portable computer, the effort has been thwarted by slow phone line connections to his office server.

Richmond suggests installing a cellular phone card on every nurse's laptop. When Anderson worries that cellular connections will also be slow, Richmond gets inspired. "Windows Terminal Services!" he cries, to general puzzlement.

Terminal Services, he explains, is a little-known feature of Microsoft's operating-system software for servers. To avoid having elaborate scheduling software and patient information on each nurse's computer, all the programs and data reside on Eichenberg's office server. Each nurse's laptop becomes a "dumb terminal" that sends only keystrokes, not actual data, back to the server.

"It's much faster than shipping vast amounts of data over cellphones," says Richmond, a self-described computer nerd from Pasadena. Added benefit: Any viruses or spyware that nurses might pick up from the Internet will not migrate to the doctor's office network.

Citrix sells a similar product for Windows. Unix- and Linux-based servers have always supported multiple remote terminals, but Richmond says that most of the popular software that Eichenberg needs for his business will run only in a Microsoft environment.

In order to take full advantage of Terminal Services, Eichenberg will need a new server with faster processors and more memory. He'll also need to purge viruses and spyware that are currently slowing his system to a crawl. Estimated total cost: $12,000. "How soon do you want this?" Richmond asks. "Really soon!" snaps Eichenberg. "Somebody tried to schedule with me yesterday, and they couldn't. It's costing me money!"

When FSB learned that Eichenberg was planning a romantic weekend in Las Vegas with his wife, we arranged a sit-down with the CEO of the company that manages the Sher Institute, whose headquarters are just a mile from the Strip. Sitting in Dr. Ghanima Maassarani's subdued corporate office, Eichenberg
chatters enthusiastically about his love of plastic surgery and his business ambitions.

Maassarani eyes him shrewdly. "I was like you when I was your age," she says. Maassarani loved practicing medicine, but the fertilization techniques of her partner, Dr. Geoffrey Sher, were so successful that she decided to focus on managing and expanding the practice instead. She insists that Eichenberg's top priority should be finding a great manager. "You don't need a consulting firm," she says. "Spend your money on a headhunter. Hire somebody who has already expanded a business, pay that person $200,000 a year, and develop an incentive plan that will keep him bound to you at the hip."

A manager with a good track record will also establish much-needed credibility with lenders, who tend to be skeptical about doctors-turned-businessmen. "Bankers don't take us seriously," she says.

"I thought I'd get a yes man so that I could tell him what to do," Eichenberg says half-seriously. Maassarani rolls her eyes. "There's nothing worse than a yes man!" she barks. Instead, Eichenberg should find a manager who can tell him what he needs to learn. "I fight with Geoffrey all the time about where we should be going," she adds. "You want someone thinking alongside you."

Maassarani warns about competition from other would-be spa doctors, even if Eichenberg hasn't seen it yet. "We get approached all the time," she says. But she lights up when Eichenberg mentions that he's thinking of starting his own spa. "I love the idea!" she says. "Once you develop a brand, you can create licensed outposts in other spas and health clubs."

Eichenberg had planned to launch a Renuance line of beauty treatments that can be performed both in his office and in spas run by others. Now he's thinking that he might build the brand faster by starting a spa of his own. "But that spa must be built around you," Maassarani cautions. "You're the spokesman. The media talk to you."

To attract press attention, she advises Eichenberg to hire a PR firm that specializes in boutique medicine. Once the spa takes off, Eichenberg's personal image and reputation will become a brand that he can use to expand his surgical practice into a chain. "In this practice we got past 'Geoffrey Sher, the doctor,' " she says. "Now people pursue our doctors wherever they are. It's the brand."

In a cab back to his hotel, Eichenberg says he likes the idea. But a few days later the doctor decides he can't afford to build a new spa. Instead he plans to improve his digs in Temecula by renting more office space, remodeling the building's main lobby, redecorating the waiting room, and hiring more nurses. For now he'll retain Deloitte Consulting to help refine his business plan. He'll continue to develop his
existing spa business. And when enough spa clients start clamoring for plastic surgery, he'll open satellite offices and staff them with hired surgeons.

We'll keep in touch with Eichenberg and report on his progress. Until then, he has some advice for FSB's male readers: "If your wife asks you whether she needs plastic surgery, tell her she looks great just the way she is."