



SCOTT PAULUS

Doug Saloga . . . "In my corporate life, most of my experience is starting with very small companies."

From high tech to the soft touch

Investor Doug Saloga's dot-com profits built a 'spa of distinction'

BY KATHY BERGSTROM
Special to The Business Journal

Doug Saloga successfully rode the dot-com wave of the late 1990s building a nest egg that would allow him to start his own business.

But the self-described technology guy opted for high touch rather than high tech in founding his first company. Literally.

He opened Spargo Salon & Spa in Pewaukee in 2000 with 11 employees.

Employment now totals 40, and 2006 revenue reached \$1.2 million. Spargo moved to a new, larger location in Pewaukee in November 2006.

The salon, with its Roman-themed interior, was named one of 20 Salons of the Year for 2007 by Salon Today magazine.

Saloga has worked in sales for four startup technology companies, including Silicon Valley-based Extreme Networks Inc., which went public in 1999. His success in the technology industry gave him money to invest in a business.

"In my corporate life, most of my experience is starting with very small companies," he said.

But Saloga, 38, had always worked in sales and never in the role of chief executive officer.

"I guess it's part of my DNA to be a hard worker," he said. "It's kind of a different experience to take something com-

LESSONS LEARNED

WHAT IS THE BIGGEST RISK YOU'VE TAKEN SO FAR? "Moving into this place. The idea was to expand, but I didn't want to lose that culture, the close-knit culture from an employee base as well as the privacy or intimacy from a customer perspective."

WHAT IS YOUR GREATEST BUSINESS CHALLENGE? "To get the right people on the bus from an employee perspective and continue to do it as we grow."

WHAT IS YOUR GOAL YET TO BE ACHIEVED? "My goal is to open another Spargo, maybe three."

WHAT IS THE MOST IMPORTANT LESSON YOU'VE LEARNED? "To listen to your employees, especially in this industry."

WHAT WAS YOUR SMARTEST MOVE? "Putting the right people in the right place at the right time."

Doug Saloga

pletely from inception to the stage we are today."

Saloga continues to work in sales for Varonis, a New York City-based company that sells security software to data centers, and delegates much authority to Spargo's general manager, Janice Clark.

FRIENDS INSPIRED IDEAS

The idea for Spargo grew out of Saloga's group of friends who all worked in the salon industry. They'd complain on nights out about how their employers treated them, Saloga recalled.

"They loved their profession but just didn't like the way they were treated in their jobs," he said.

Saloga had been looking for a business idea and wondered if he could open a salon and change the things his friends didn't like.

Spargo's first employees came from that group of friends and included Saloga's future wife, Renee, who is a hair stylist.

The first location was in the Stone Gable Mall, a strip center that Saloga also built for about \$1.1 million. He spent about \$350,000 for the 2,300-square-foot space that housed Spargo.

Saloga's father and brother are contractors and built the strip center. The project was financed by Old Second Bank from his hometown of Aurora, Ill.

Saloga relied heavily on his friends to put together the plans for the services Spargo would offer.

In addition to haircuts and styling, Spargo offers facials, manicures and pedicures, massage therapy,

INVESTOR: Profits from technology sector end up in high-end salon

CONTINUED

body treatments, waxing, make-up and advanced chemical exfoliation treatments.

Saloga also drew from his own spa experiences. "We like to pamper ourselves whenever we go on vacation," he said. "I really wanted to have the five-star feeling at somewhere you could go that's a 15-minute drive," he said.

LOCATION, LOCATION

The Pewaukee area demographics, lack of competition and high traffic on Capitol Drive fit his needs.

Spargo didn't make money until its fourth year, but Saloga expected profitability to take time partly because of the compensation the salon offers employees.

Employees at Spargo receive higher-than-average salaries, he said, and benefits that include paid vacations, health insurance and a 401(k) plan. Saloga pays 70 percent of the cost of health insurance and training benefits.

Saloga's employers have always treated him well and he wanted to treat salon employees the same way.

Turnover is low, and Clark said Spargo doesn't ask employees to sign non-compete agreements like many salons do.

Saloga also has tried to motivate employees by allowing them to design the services they offer and reward them when the business hits its goals.

But he's also very particular that once a service has been designed it must be carried out the same way with the same schedule and procedures.

That means the service is predictable, but the employees have incentive to deliver them well because they designed them, he said.

"They truly take ownership," Clark said.

Opening the new location was a risk because Saloga didn't want to lose the personal environment the smaller location offered. With a larger facility, he's also given Clark some lofty goals for increasing efficiency and productivity of each spa treatment room.

He does all of that spending maybe an average of four to five hours per week at the salon, while continuing to travel and work at his full-time job outside of the business.

"I delegate to my trusted advisers," Saloga said. "I am a technology guy. I love selling."

Spargo's prices are competitive with other spas in the area, but cheaper than five-star spas he's visited, Saloga said.

The salon's target market is a woman with a family income of \$75,000 to \$125,000 annually. New markets include men and services for couples.

Spargo outgrew its first location, so Saloga and his brother built a 7,800-square-foot building at 1001 Cecelia Drive, just off Capitol Drive near U.S. Highway 16.

The new facility opened Thanksgiving weekend



SCOTT PAULUS

Hair stylist Summer Tuchscherer works with customer Paula Riehle at Spargo Salon & Spa.

of 2006.

Spargo was his own general contractor for the \$2.5 million project, and his brothers' company was the builder.

HISTORY'S INFLUENCE

Saloga paid meticulous attention to detail in the design.

"I'm a history buff," he said.

He was especially inspired by a trip to Pompeii and by the public bathhouses of ancient Rome.

Columns separate the 11 work stations in the salon area, which also features a 16-foot curved water wall. The rushing water sound helps create a relaxing experience while also creating privacy by screening out other salon noises.

A stone staircase winds around another 14-foot waterfall to lead to the spa area.

The central spa is designed to re-create a Roman house and features an atrium with another waterfall. Treatment rooms all are named after Roman emperors.

The salon features original artwork and even some Roman artifacts that Saloga acquired from a collector.

Spargo was honored this month as one of 15 Salons of Distinction in the Salons of the Year interior design competition sponsored by Salon Today magazine. The competition named one grand prize winner, four runners-up and 15 Salons of Distinction.

Laurel Smoke, editor-in-chief of the magazine, based in Lincolnshire, Ill., said the awards recog-

SPARGO SALON & SPA

OWNER: Doug Saloga

YEAR FOUNDED: 2000

LOCATION: 1001 Cecelia Drive, Pewaukee

WEB SITE: www.spargosalon.com

ANNUAL REVENUE: \$1.2 million in 2006.

Year-to-date revenue is up 46 percent from last year.

BUSINESS PLAN: Offer five-star salon services to local customers

GROWTH PLAN: Continue to increase the efficiency of use at the new location, add new services such as Shiatsu, reach new markets including men and couples, and open a second location within seven years

nize salons that have opened or remodeled in the past year.

More than 125 salons entered the competition this year.

Judges liked Spargo's unique theme, Smoke said.

"They did a good job of sticking to it and really making it work," she said.

KATHY BERGSTROM is a Milwaukee-area freelance writer.

As seen in **THE Business Journal**
SERVING GREAT MILWAUKEE

This article appeared in The Business Journal on June 29, 2007. It has been reprinted by The Business Journal and further reproduction by any other party is strictly prohibited. ©2005 by The Business Journal, 600 W. Virginia Street, Milwaukee, WI 53204. 414-278-7788. milwaukee@bizjournals.com