The beam team

American Laser Centers grows quickly by stopping growth

By Katie Merx
Crain's Detroit Business

Three years ago, Rich Morgan decided that the Seattle-based laser-hair removal company he worked for was missing opportunities for growth, so he set off to create his own.

He chose metro Detroit as the headquarters because he could fly anywhere through **Detroit Metropolitan Airport**'s new McNamara Terminal and because he knew two Detroit area ear, nose and throat doctors who were interested in partnering with him.

So in 2002, Morgan together with doctors Benn Gilmore and Leonard LaCivita founded **American Laser Centers L.L.C.** in a small room in the doctors' office.

Today, Morgan is aiming for $50 million in revenue and toying with the idea of going public or selling to a larger corporation someday. Morgan is the president of American Laser Centers.

In 2002, the newly formed Farmington Hills-based laser hair-removal company opened six offices. In 2003, it grew to 30 offices, and in 2004 it swelled to 50. Today, the company has 53 offices in 14 states, and Morgan plans to double the number of offices by the end of the year.

American Laser Centers employs 26 people in its corporate headquarters and operates seven hair-removal centers in metro Detroit.

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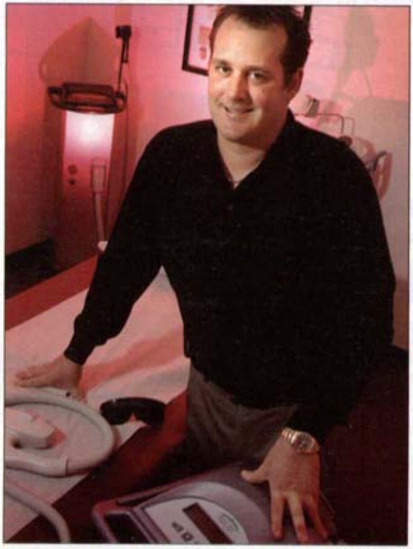

JOHN F. MARTIN

Rich Morgan partnered with two local doctors to start American Laser Centers L.L.C. in 2002.

Laser: Growth comes from losing hair

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With the doubling of offices, Morgan said, he expects to double revenue from $24.3 million last year to about $50 million this year.

American Laser's growth is in step with America's acceptance of elective cosmetic procedures.

A February 2005 study of 1,000 American adults said 60 percent of women and 59 percent of men approve of cosmetic procedures. Illinois-based market-research firm **Synovate** conducted the survey.

The rise in popularity of laser hair removal has been meteoric, with 1.4 million Americans having the procedure in 2004, up from 923,200 in 2003 and 109,544 in 1998, according to the **American Society for Aesthetic Plastic Surgery Inc.** in New York City.

Reality TV shows such as "Extreme Makeover" and "The Swan" are fueling interest in the procedures, said Donald Tietz, president of Orland Park, Ill.-based **Hair Today Gone Tomorrow**, which competes with American Laser Centers in four markets, including Detroit.

"They're a competitor," Tietz said of American Laser. "But they're not our largest competitor."

The laser hair-removal industry is fragmented, Tietz said, so the challenge for any particular company is to get a specific name to stick in consumers' minds.

"The secret to our success in most markets is that we work with an established plastic surgeon or dermatologist," said Kevin Piecuch, executive vice president of corporate development at American Laser Centers.

Laser hair removal is an out-of pocket expense. So the company spends a long time building a case and winning customers over by providing trade-show and bridal-show attendees with information, coupons and contest prizes.

"Then 12 to 18 months from now, when they decide to try it, they're going to try it with us," Piecuch said.

The message American Laser pushes, he said, is that when it comes to cosmetic surgery, "maybe you can't justify spending $20,000 on plastic surgery, but maybe you can spend $2,000 to have some hair removed."

Hair removal constitutes between 85 percent and 90 percent of American Laser Centers' business, Piecuch said. Skin rejuvenation, microdermabrasion and skin product sales make up the rest.

Capital hasn't been a barrier to opening offices, Piecuch said, because American Laser Centers typically subleases space from the local doctor.

The only capital expense is about $100,000 per office for the hair-removal and skin-rejuvenation equipment. Each office starts with two employees, and American Laser's offices grow as large as six employees.

American Laser signed a contract to purchase $1.5 million in new equipment last month, according to Yokneam, Israel-based hair-removal equipment manufacturer **Syneron Medical Ltd.**

Each American Laser Centers office is majority-owned by the Farmington Hills corporation, but the rest is owned by either the local doctor with whom American Laser partners or with a group of silent investors, most of whom live in Southeast Michigan.

American Laser gets leads on interested doctors based on recommendations from Syneron and word-of-mouth among doctors, Piecuch said.

Thanks to meticulous tracking of potential client leads, the American Laser is able to track where its business comes from and target its marketing, Piecuch said.

The company spends about $12,000 per store a month on marketing, Piecuch said, or about $500,000 or $600,000 a month.

Every print advertisement, billboard, radio advertisement and trade-show pamphlet has a unique 800 number, Piecuch said, so American Laser can track exactly where all of its leads are coming from.

"Our highest-quality leads come from referrals," Piecuch said. "Fifteen percent of business every month comes from referrals."

Existing customers can earn discounts and gift certificates by referring their friends and family.

Money spent to pop to the top of a **Google** or **Yahoo** search is well-spent, he said, because 30 to 35 percent of corporate revenue comes from Internet leads.

The company also reports that one-third of its bookings come from in-bound calls, but two-thirds are solicited by the company.

"We did a lot of research," Piecuch said. "What we've found is that people will think about it a long time before doing something like this."

In three years, the company has closed just two stores because they didn't meet the profitability threshold, Piecuch said.

The company wouldn't disclose how much profit it expects each store to make or in what period, but Piecuch said it closed one store after 12 months and the other after 18 months.

"The plan is to keep building something that builds value," Morgan said. "The next three years are going to blow away the first three."

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GETTING TO THE ROOT OF SUCCESS

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- Fifteen percent of business each month comes from referrals.
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