



International SPA Association®

2007 Spa Industry Study

November 2007

Prepared for ISPA by



About the International SPA Association

ISPA is recognized worldwide as the leading professional organization and voice of the spa industry. Founded in 1991, ISPA's membership is comprised of more than 3,000 health and wellness facilities and providers from 75 countries. ISPA advances the spa industry by providing invaluable educational and networking opportunities, promoting the value of the spa experience and speaking as the authoritative voice to foster professionalism and growth. For more information on ISPA, write to, call or e-mail:

2365 Harrodsburg Road, Suite A325, Lexington, KY 40504, USA

Domestic Telephone: 1.888.651.4772 or Direct: 1.859.226.4326 or E-mail: ispa@ispastaff.com

About the Association Resource Centre Inc.

The Association Resource Centre Inc. is a full-service management consulting firm that specializes in meeting the diverse needs of the not-for-profit sector. Through its Research and Strategy Division, the firm provides a broad range of research services to associations and to the members they serve. The Association Resource Centre's extensive background in governance, strategic planning and association research enables it to interpret the data it receives and to provide insightful analysis as to what the data means. Core team members from the Association Resource Centre Inc. have played lead roles in all of ISPA's North American industry research since the inaugural study in 2000.

Disclaimer

Although the information in this report has been obtained from sources that the Association Resource Centre Inc. believes to be reliable, its accuracy and completeness cannot be guaranteed. This report is based on survey responses of spa establishments during the survey period of July and August 2007. This report is for information purposes only. All opinions and estimates included in this report constitute the views of survey respondents combined with our judgment as of this date and are subject to revision.

Copyright

This document contains proprietary information of the International SPA Association. No disclosure or use of any portion of the contents of this material may be made without the express written consent of ISPA. For permission to reproduce any material contained in this publication, please call ISPA at 1.859.226.4326. If consent is granted, attribution to ISPA and other sources specified in the document should be made. All rights reserved.

©2007 ISPA

EXECUTIVE SUMMARY

In its role as a global industry leader, ISPA commissioned the first-ever comprehensive study of the North American spa industry in the year 2000. Not only was this study the first of its kind to provide a detailed profile of the industry, but it was groundbreaking in its detailed examination of critical issues such as industry size, revenue, employment and growth.

The study results have since been updated in 2002, 2004, 2006 and most recently in this 2007 report. This executive summary highlights the key findings from the 2007 study conducted by the Association Resource Centre Inc. The full report contains a more detailed analysis including product/service offerings, employment and a profile by spa type, geography and by ISPA membership status. The 2007 study is the first full profile study to be conducted since ISPA undertook the 2005 Spa Industry census – a process that achieved the formal qualification and classification of two-thirds of the North American industry.

These interesting facts can assist spa owners and managers in evaluating the financial health of their business. In addition, the statistics outlined in this study show the relative health of the industry and provide ISPA and industry members with a powerful tool when trying to influence key decision-makers such as the government and financial lenders.

Overview of the U.S. Spa Industry

Despite a dip in revenues, the industry is healthier than it was a year ago. In fact, findings show that over the past several years, spas have been increasing their revenue per visit and ultimately their profit margins. This greater focus on the bottom line has led to consistent industry profit growth since 2003 and suggests that, despite lower revenues, spas are finding ways to operate more efficiently. While day spas do not represent the entire industry, their significant market share (80%) suggests they will ultimately drive the overall industry numbers. Accordingly, the majority of significant fluctuations in the industry are often attributable to what is going on with day spas.

How Big Is the North American Spa Industry?

This study looks at several key measures to determine the size of the spa industry.

Spa Locations: At the time of this study (July 2007), there were an estimated 14,600 spa locations across the United States. As was the case in 2004, day spas continue to be the largest spa category, accounting for four of every five spas in the United States. Resort/hotel spas, followed closely by medical spas, make up the next largest spa segments.

Spa Visits: There were approximately 111 million spa visits made in the United States in 2006. While day spas continue to dominate in overall visits, they are seeing a disproportionately low number of visits per spa when compared to the resort/hotel sector. Medical spas are also slightly underrepresented in terms of visits per spa.

Revenues: The U.S. spa industry generated approximately \$9.4 billion in gross revenue in 2006. Geographically, the South West region generates the most revenues, followed closely by the North East and South East areas of the country. At 56%, day spas continue to generate the largest share of industry revenues, followed by the resort/hotel segment (27%) and the medical spa segment (11%). Once again, however, day spas are underrepresented while the other two segments mentioned are overrepresented in terms of their share of revenues.

Employment: The U.S. spa industry employs an estimated 232,700 people. These total employees are made up of 117,100 full-time, 73,100 part-time and 42,500 contract workers. Spas find it most difficult to fill positions for nail technicians, massage therapists, estheticians and the front desk.

Square Footage: U.S. spas occupy an estimated total of 56 million square feet of indoor space. With few exceptions, this measurement does *not* include space dedicated to accommodations, food service or other non-spa specific services. Day spas account for the most overall industry space (62%), while resort/hotel spas tend to be biggest on a per-spa basis. On average, treatment rooms account for almost half (48%) of all indoor spa space.

Canadian Spa Industry

As of August 2007, there were an estimated 2,800 spas in Canada. In 2006, the 2,800 Canadian spas produced total estimated revenues of almost \$1.1 billion CDN (approximately \$1.03 billion USD as of July 31, 2007) from more than 17 million spa visits. The industry employs an estimated 30,500 people, 62% of which are full-time. The industry occupies total indoor space of approximately 7.1 million square feet.

How Fast Is the Spa Industry Growing?

While growth has slowed somewhat, overall the spa industry is healthier than it was a year ago. Following are the key growth areas:

Locations: The spa location growth rate in the United States has slowed in recent years – 9% in 2005 and 13% in 2006 compared to an average of 21% since 1999. Despite a slowing growth rate, the actual number of spas in the United States continues to grow at a robust pace. In fact, the results show that the industry has been growing by an average of 1,600 locations per year and continued this trend in 2006 (1,700 locations). Medical spas continue to be the fastest-growing segment in terms of locations at an average rate of 19% per year from 2004 to 2006, followed by resort/hotel spas at 16%. In fact, results show that medical spas, once the size of the destination spa segment, overtook club spas in 2004 as the third-largest segment.

Spa Visits: Looking at the industry as a whole, total consumer demand doubled from 1999 to 2001, but has changed very little since then. While some growth (both positive and negative) has occurred within this period, all changes since 2001 fall within the margin of error, suggesting that industry demand continues to be stable. The stability in demand is the driving force behind what is happening

in the rest of the industry. The lack of growth in overall visits combined with the growing number of locations has led to declines in visits and revenues per spa.

Revenues: Spa industry revenues saw a slight decline from \$9.7 billion in 2005 to \$9.4 billion in 2006; however, given the margin of error on the estimates, the results suggest that industry revenues are unchanged. However, spas appear to be doing a better job at managing expenses, which has led to improved profitability. The average profit margin has increased from 8% in 2003 to 17% in 2006. The net result is higher profits despite lower revenues.

Employment: Since the inaugural spa industry study in 2000, employment in the spa industry has generally been on the rise with a couple of temporary peaks. At the per-spa level, however, the number of employees has generally been declining since 2002. The declines in per-spa averages are quite likely due to the influx of new spas and not to an actual decline within existing spas.

Square Footage: As with other measures, the average size of spas in the United States has declined over the years. This is largely a function of the new spas entering the industry being smaller. Overall, the total industry space has been increasing with the number of locations.

Canadian Spa Industry

While more historical data is needed to gain a true picture of what is going on in the Canadian spa industry, the data that is available indicates a very healthy industry. While the industry is growing rapidly, the pace appears to be manageable. Specifically, growth in locations has not had many significant peaks or valleys, rather the grow rate tends to hover around the 10-year average of 17%. Overall, the industry is seeing growth in all key areas. At the per-spa level, visits continue to grow while revenue and employment are fairly steady.

Spa Pricing and Productivity

Pricing and Productivity Measures: U.S. spas report average revenue per visit at \$97, and an average retail revenue of \$48 per visit. The average price of a spa treatment in the United States is \$79, with massages and facials priced at an average \$77 and \$80, respectively. Overall, U.S. spas generate an average of \$165 per square foot of space.

What Are the Key Trends in the Industry?

NOTE: In-depth interviews were not conducted as part of the *2007 Spa Industry Study*. Accordingly, the following analysis is a summary based on interviews conducted in the fall of 2006 for the *2006 Spa Industry Statistics* study.

Product Trends: Industry executives indicated that there is a “revolution” in cosmetic procedures and consumers can “look better without the need for cosmetic surgery.” The trend towards medically based products has also continued. A newer trend in the industry is spa-influenced products such as clothing, home spas, spa-like tubs and home massage tables.

Consumer Trends: Spas continue to lose the “pampering” image as the industry continues to broaden its consumer appeal. A key driver in this trend is that people want to reward themselves for working hard. Another key trend is the continued increase in the number of men visiting spas.

Investor Trends: It is gradually getting easier to convince investors to invest in the spa industry. Extensive branding and retailing within the spa industry, as well as increased competition are seen to be key contributors to this trend.

Conclusions

The following is a summary of some of the key conclusions.

- The number of locations continues to grow at a good pace, but the rate is slowing. Despite a lower percentage growth rate, it is important to note that net increase in locations in the United States continues to average about 1,600 spas per year.
- Stable demand, combined with growth in locations, means lower average visits per spa.
- As the industry is maturing, it is evolving, which has led many to seek differentiation, such as in the medical and/or resort/hotel spa sectors, or in the development of new spa types such as mobile spas and residential/community spas.
- While the day spa sector continues to dominate the industry across many key measures, the disparity in per-spa revenue between day spas and other spa types (particularly resort/hotel and medical spas) is significant. With the intense competition, day spas may be in for a challenge over the coming years.
- With stability in demand and a growing number of locations, spas have seen a decline in average visits, revenue and employees per spa in recent years. However, the lower averages appear to be attributable to the newer spas entering the industry as opposed to the more established spas that have been around for many years.
- While U.S. spas have found ways to become more efficient and improve the bottom line despite declining per-spa revenue, this can only continue for so long. At some point, the industry needs to find a way to increase the number of spa visits in order to maintain a growth trend.
- The growth rate in the Canadian spa industry is both manageable and sustainable going forward. In Canada, the growth in visits is outpacing the growth in locations.

TABLE OF CONTENTS

EXECUTIVE SUMMARY	i
I. INTRODUCTION	1
STUDY BACKGROUND	1
PURPOSE AND OBJECTIVES	1
RESEARCH METHODOLOGY.....	2
WHY DID THE OLD ESTIMATES CHANGE?.....	3
STUDY LIMITATIONS	3
II. SIZE OF THE U.S. SPA INDUSTRY	5
HOW MANY SPAS ARE THERE?.....	5
HOW MUCH REVENUE DOES THE SPA INDUSTRY GENERATE?	7
HOW MANY VISITS ARE MADE TO U.S. SPAS?	10
HOW MANY PEOPLE ARE EMPLOYED BY THE SPA INDUSTRY?	11
HOW MUCH SPACE DO U.S. SPAS OCCUPY?.....	13
SUMMARY OF THE SIZE OF THE U.S. SPA INDUSTRY	14
III. INDUSTRY GROWTH	15
THE NUMBER OF SPA LOCATIONS CONTINUES TO GROW	15
CHANGES IN CONSUMER DEMAND – THE DRIVING ECONOMIC FORCE	18
INDUSTRY REVENUES UNCHANGED	20
INDUSTRY EMPLOYMENT GROWTH.....	22
SQUARE FOOTAGE GROWS WITH LOCATIONS.....	23
U.S. SPA INDUSTRY GROWTH SUMMARY – PUTTING THE PUZZLE TOGETHER	24
IV. INDUSTRY PROFILE	27
GEOGRAPHIC PROFILE.....	27
PROFILE BY SPA TYPE	34
V. PRODUCT AND SERVICE OFFERINGS	39
PRODUCT AND SERVICE OFFERINGS OVERVIEW.....	39
TREATMENT ROOM SERVICE OFFERINGS	46
SALON SERVICE OFFERINGS.....	52
COMPLEMENTARY OR ALTERNATIVE THERAPIES OFFERED	54
MIND, BODY AND SPIRIT PROGRAMS OFFERED.....	55
EDUCATIONAL PROGRAMS AND WORKSHOPS OFFERED.....	56
FITNESS OR SPORTS SERVICE OFFERINGS.....	57
MEDICAL TREATMENTS	58
RETAILING IN THE SPA INDUSTRY	59
SERVICE OFFERING CHANGES	64
VI. EMPLOYMENT CHALLENGES IN THE SPA INDUSTRY	66
MANAGEMENT TURNOVER.....	66
VACANT POSITIONS AND STAFFING DIFFICULTIES	67
HUMAN RESOURCE CHALLENGES	69

VII. THE CANADIAN SPA INDUSTRY – A SNAPSHOT71

 HOW BIG WAS THE CANADIAN SPA INDUSTRY IN 2007?71

 CONTROLLED GROWTH IN THE CANADIAN SPA INDUSTRY74

 PROFILE OF THE CANADIAN SPA INDUSTRY79

 EMPLOYMENT CHALLENGES IN THE CANADIAN SPA INDUSTRY.....85

VIII. INDUSTRY TRENDS AND ISSUES87

 INDUSTRY TRENDS87

 THE MAJOR INDUSTRY PLAYERS.....89

 CONSUMER BEHAVIOR90

 THE LEGAL AND REGULATORY ENVIRONMENT91

 INDUSTRY TRENDS91

IX. CONCLUSIONS94

APPENDIX – ADDITIONAL SEGMENT PROFILES.....96

TABLE OF EXHIBITS

II. SIZE OF THE U.S. SPA INDUSTRY	5
EXHIBIT 2-1 — REGIONAL DISTRIBUTION OF SPA ESTABLISHMENTS IN THE UNITED STATES.....	5
EXHIBIT 2-2 — NUMBER OF SPA ESTABLISHMENTS IN THE UNITED STATES BY SPA TYPE	6
EXHIBIT 2-3 — ESTIMATED SIZES OF U.S. LEISURE INDUSTRIES (2006)	7
EXHIBIT 2-4 — REGIONAL DISTRIBUTION OF SPA REVENUES IN THE UNITED STATES IN 2006.....	8
EXHIBIT 2-5 — SPA REVENUES IN THE UNITED STATES BY SPA TYPE	9
EXHIBIT 2-6 — NUMBER OF SPA VISITS IN THE UNITED STATES IN 2006 BY REGION AND SPA TYPE	10
EXHIBIT 2-7 — TOTAL INDUSTRY EMPLOYMENT IN THE UNITED STATES.....	11
EXHIBIT 2-8 — NUMBER OF EMPLOYEES BY REGION AND SPA TYPE.....	12
EXHIBIT 2-9 — INDOOR SQUARE FOOTAGE OCCUPIED BY U.S. SPAS BY REGION AND SPA TYPE.....	13
EXHIBIT 2-10 — SUMMARY OF U.S. SPA INDUSTRY STATISTICS BY REGION AND SPA TYPE	14
III. INDUSTRY GROWTH.....	15
EXHIBIT 3-1 — GROWTH IN THE NUMBER OF U.S. SPA LOCATIONS	16
EXHIBIT 3-2 — AVERAGE ANNUAL GROWTH IN U.S. SPA LOCATIONS BY REGION AND SPA TYPE 2004 TO 2006	17
EXHIBIT 3-3 — GROWTH IN CONSUMER DEMAND	18
EXHIBIT 3-4 — SPA INDUSTRY REVENUE GROWTH	20
EXHIBIT 3-5 — GROWTH IN LEISURE INDUSTRY REVENUE.....	21
EXHIBIT 3-6 — GROWTH IN EMPLOYMENT	22
EXHIBIT 3-7 — GROWTH IN SQUARE FOOTAGE	23
EXHIBIT 3-8 — AVERAGE REVENUE PER VISIT.....	25
EXHIBIT 3-9 — AVERAGE PROFIT MARGIN.....	25
EXHIBIT 3-10 — TOTAL INDUSTRY PROFIT.....	26
IV. INDUSTRY PROFILE	27
EXHIBIT 4-1 — SPA PROFILE BY REGION	28
EXHIBIT 4-2 — KEY SPA STATISTICS BY REGION.....	29
EXHIBIT 4-3 — SPA PROFILE BY SPA TYPE	35
EXHIBIT 4-4 — KEY SPA STATISTICS BY SPA TYPE.....	36
V. PRODUCT AND SERVICE OFFERINGS	39
EXHIBIT 5-1 — PRODUCTS/SERVICES OFFERED	39
EXHIBIT 5-2 — PACKAGES OFFERED	41
EXHIBIT 5-3 — PERCENTAGE OF INDOOR SPACE USED BY SERVICE OFFERING	42
EXHIBIT 5-4 — AVERAGE PERCENTAGE OF INDOOR SPACE USED FOR ENTIRE INDUSTRY	43
EXHIBIT 5-5 — PERCENTAGE OF REVENUE BY SERVICE OFFERING	44
EXHIBIT 5-6 — AVERAGE PERCENTAGE OF REVENUES FOR ENTIRE INDUSTRY	45
EXHIBIT 5-7 — TREATMENT ROOM SERVICES OFFERED.....	46
EXHIBIT 5-8 — MASSAGE SERVICES OFFERED	48
EXHIBIT 5-9 — HYDROTHERAPY SERVICES OFFERED.....	49
EXHIBIT 5-10 — NUMBER OF TREATMENT ROOMS BY TREATMENT TYPE	50
EXHIBIT 5-11 — AVERAGE PRICE PER SERVICE BY TREATMENT TYPE.....	50
EXHIBIT 5-12 — OFFER LOCAL/INDIGENOUS TREATMENTS.....	51
EXHIBIT 5-13 — SALON SERVICES OFFERED	52
EXHIBIT 5-14 — NUMBER OF SALON STATIONS PER SERVICE AMONG THOSE WHO OFFER EACH SERVICE.....	53
EXHIBIT 5-15 — COMPLEMENTARY OR ALTERNATIVE THERAPIES OFFERED.....	54
EXHIBIT 5-16 — MIND, BODY AND SPIRIT PROGRAMS OFFERED.....	55
EXHIBIT 5-17 — EDUCATIONAL PROGRAMS AND WORKSHOPS OFFERED.....	56
EXHIBIT 5-18 — FITNESS OR SPORTS SERVICES OFFERED	57
EXHIBIT 5-19 — HOW MEDICAL TREATMENTS ARE OFFERED.....	58

EXHIBIT 5-20 — MEDICAL TREATMENTS OFFERED	59
EXHIBIT 5-21 — RETAIL PRODUCTS SOLD	60
EXHIBIT 5-22 — BEST-SELLING RETAIL PRODUCTS	61
EXHIBIT 5-23 — BRANDED RETAIL PRODUCTS SOLD	62
EXHIBIT 5-24 — NUMBER OF RETAIL LINES	62
EXHIBIT 5-25 — AVERAGE RETAIL REVENUE PER SPA VISIT	63
EXHIBIT 5-26 — AVAILABILITY OF RETAIL PRODUCTS VIA THE INTERNET	63
EXHIBIT 5-27 — RECENT CHANGES TO THE SPA SERVICE MENU.....	64
EXHIBIT 5-28 — RENOVATIONS AND EXPANSIONS IN THE SPA INDUSTRY	65
VI. EMPLOYMENT CHALLENGES IN THE SPA INDUSTRY.....	66
EXHIBIT 6-1 — MANAGEMENT TURNOVER IN THE PAST 12 MONTHS	66
EXHIBIT 6-2 — PERCENT OF SPAS WITH OPEN STAFF POSITIONS	67
EXHIBIT 6-3 — NUMBER OF UNSTAFFED POSITIONS	68
EXHIBIT 6-4 — MOST DIFFICULT POSITIONS TO STAFF.....	69
VII. THE CANADIAN SPA INDUSTRY – A SNAPSHOT.....	71
EXHIBIT 7-1 — REGIONAL DISTRIBUTION OF SPA ESTABLISHMENTS IN CANADA.....	71
EXHIBIT 7-2 — NUMBER OF SPA ESTABLISHMENTS IN CANADA BY SPA TYPE	72
EXHIBIT 7-3 — CANADIAN SPA INDUSTRY STATISTICS FOR 2007.....	73
EXHIBIT 7-4 — CANADIAN SPA INDUSTRY STATISTICS BY REGION AND SPA TYPE	73
EXHIBIT 7-5 — GROWTH IN THE NUMBER OF CANADIAN SPA LOCATIONS	74
EXHIBIT 7-6 — 2006 GROWTH IN CANADIAN SPA LOCATIONS BY REGION AND SPA TYPE.....	75
EXHIBIT 7-7 — GROWTH IN CONSUMER DEMAND IN CANADA	76
EXHIBIT 7-8 — SPA INDUSTRY REVENUE GROWTH IN CANADA	77
EXHIBIT 7-9 — GROWTH IN EMPLOYMENT	78
EXHIBIT 7-10 — CANADIAN SPA PROFILE BY SPA TYPE AND REGION	81
EXHIBIT 7-11 — KEY SPA STATISTICS BY SPA TYPE AND REGION IN CANADA.....	82
EXHIBIT 7-12 — CANADIAN TREATMENT ROOM SERVICE OFFERING DETAILS BY TYPE AND REGION.....	83
EXHIBIT 7-13 — CANADIAN OTHER SERVICE OFFERING DETAILS BY TYPE AND REGION	84
EXHIBIT 7-14 — EMPLOYMENT CHALLENGES IN CANADA BY TYPE AND REGION	85
APPENDIX – ADDITIONAL SEGMENT PROFILES.....	96
SPA PROFILE BY COUNTRY, ISPA MEMBERSHIP AND DAY VS. STAY	97
KEY SPA STATISTICS BY COUNTRY, ISPA MEMBERSHIP AND DAY VS. STAY	98
SPA PROFILE BY SPA REVENUE	99
KEY SPA STATISTICS BY SPA REVENUE	100

I. INTRODUCTION

Study Background

The International SPA Association (ISPA) is a recognized leader in the spa industry in North America and around the world. Since 1991, the association has gained a reputation as the voice of the spa industry. In its role as an industry leader, ISPA commissioned the first-ever comprehensive study of the spa industry in 2000. This study was the first of its kind to address key issues such as industry size, revenue, employment and growth. It also provided a basic profile of the industry. Updates of this study were conducted in 2002, 2004 and 2006.

Since the inaugural study, much has been learned about the industry. The studies have generally pointed to rapid growth in the industry. As the industry grew, the lines of what was and wasn't a spa and what category a spa belonged to became blurred. In response to this issue, ISPA undertook the first spa industry census in 2005. The census involved formally qualifying and classifying the almost 24,000 potential North American spas in ISPA's inventory, which includes all spas in North America, not just ISPA members. The results of this process were then used to revise industry size estimates and re-weight data from the previous three studies using stricter criteria. The revised estimates are presented in this report.

Recognizing the need for up-to-date information, ISPA decided in 2006 to begin tracking the size of the industry on an annual basis. Accordingly, beginning in the summer of 2006, ISPA started conducting industry statistic surveys to develop current industry size estimates in the years in which it does not conduct a full Spa Industry Study. These estimates are more than just interesting facts; these statistics show the relative health of the industry and provide ISPA and industry professionals with a powerful tool when trying to influence key decision-makers such as the government and financial lenders.

The current study, conducted by the Association Resource Centre Inc., is the first full industry profile study to be conducted since 2004. This report provides up-to-date information by highlighting the key findings from the 2007 Spa Industry Survey.

Purpose and Objectives

The main purpose of this study was to obtain spa industry data in order to develop a current profile of the industry. The primary objectives of the research were to:

- Estimate the size of the spa industry in the United States and Canada in terms of revenues, number of visits, number of establishments, square footage and employment;
- Gauge the growth rate of the industry; and

- Develop a profile of the U.S. and Canadian spa industries using criteria such as regional distribution, spa type, ownership structure, number of visits and service/product offerings.

Research Methodology

To fully address the objectives of the study, three distinct approaches were undertaken:

- *Developing an Inventory of Spas:* An extensive cross-reference of various business directories was conducted via the Internet to develop a comprehensive inventory of North American spas. All possible spa businesses were included in the 2005, 2006 or the current 2007 spa industry census. During the census, attempts were made to contact all potential spa businesses to qualify them as a spa using product/service-based criteria and to classify them by spa type using revised category criteria. The definition of spa is provided in the sub-bullet below. In all, almost 11,000 spas in the United States and 2,000 spas in Canada have been formally qualified and classified. This represents three-quarters of the industry. Qualification and classification incidence rates from the census were then used to extrapolate the size and type distribution of the overall industry.
 - *Definition of Spa:* For the purpose of this study, a spa is defined as a place of business that enhances the overall well-being of a person through a variety of professional spa services that encourage the renewal of mind, body and spirit. With few exceptions, to be qualified as a spa, businesses must offer at least two of the following three services:
 - Massage (full body);
 - Skin Care Treatments (e.g., facials); or
 - Body Treatments (e.g., hydrotherapy or body wraps/scrubs).

All but approximately 5% qualify as a spa by offering at least two of these core services. The remaining 5% qualified as a spa based on the other spa-related services they offered and the share of revenues derived from the core spa services.

- *Quantitative Survey:* The Association Resource Centre Inc. conducted 704 surveys (547 via random telephone survey and 157 via Internet survey) with U.S. spa owners and managers in July 2007. An additional 316 surveys (282 via telephone and 34 via Internet) were conducted in Canada in August 2007. Each telephone survey took approximately 18 minutes to complete. The data in this report have been weighted to more accurately reflect the true distribution of the industry population. Data were weighted by type of spa as defined by ISPA and by region. Definitions of spa categories are provided in Chapter IV.
- *Qualitative Executive Interviews:* In-depth interviews were not specifically conducted for the 2007 study. Accordingly, information from interviews conducted as part of the 2006 *Spa Industry Statistics* study is repeated in this report as the most current trends information available. In September 2006, the Association Resource Centre Inc. conducted 10 in-depth

executive interviews across the United States and Canada to explore views and opinions regarding the state of the spa industry, as well as to determine the current competitive landscape, identify important industry trends and challenges (including legal and regulatory challenges), and to identify new products and services. The interviews were 30 to 45 minutes each in length.

Why Did the Old Estimates Change?

As previously mentioned, the 2005 census of the North American spa industry formally qualified and classified spas. Through this process, ISPA developed specific product/service-based criteria for the qualifying and classifying of spas to remove any ambiguity that inherently exists with any rapidly expanding industry. The results of this process were applied to data from the previous studies to develop revised estimates of the number and distribution of spas. Following is a summary of the key impacts of this process and other methodology changes on the previously published estimates:

- *Number of Spas:* With more stringent criteria, businesses were not able to “self-qualify” themselves as spas. Only businesses that met the product/service-based criteria were qualified as a spa. Accordingly, fewer businesses qualified, which reduced the estimate of the number of spas for each year and ultimately reduced the industry estimates to reflect the lower rate of qualification.
- *Classification of Spas by Type:* The criteria for each spa type were modified slightly to reduce ambiguity. This resulted in some shifting of spas among type categories. This had some minor effects on the per-spa averages (i.e., revenue and square footage), which are reflected in the overall estimates.
- *Removal of Accommodation, Retail and Fitness:* With the exception of destination spas, per-spa estimates of revenue and square footage no longer include accommodations. Similarly, on-site retail and fitness operations that were not contained within the spa were specifically excluded from the statistics. In other words, a greater emphasis was placed on narrowing the statistics to the spa only. Using data on allocation of space and revenue from the surveys, estimates (both overall industry and the average per spa) from previous studies were appropriately adjusted to be comparable to results using the revised approach. It is these revised estimates for previous studies that are cited in this report.

It is important to note that the results reported in previous studies are accurate based on the definitions used at that time. The methodological changes were made to reflect the changing industry, and the revised estimates for previous studies were developed to ensure comparability going forward.

Study Limitations

When interpreting results from this study, it is important to keep in mind the following limitations:

- The number of spas represents our estimate as of July 2007 for the United States (August 2007 for Canada) and is based on spa listings in various business directories. Industry estimates may

not include unlisted spas or facilities not classified as spas in directories, nor do they include cruise ship spas.

- Industry averages and estimates (including revenue, employment, square footage, spa visits, etc.) as well as other data were based on survey responses and are only as accurate as the data provided by survey respondents.
- As with all previous studies, while the overall U.S. and Canadian industry results have a low margin of error, results and estimates for sub-groups (e.g., spa type and region) should be interpreted with caution due to small sample sizes. This is particularly true for club spas, destination spas, medical spas and mineral springs spas.

II. SIZE OF THE U.S. SPA INDUSTRY

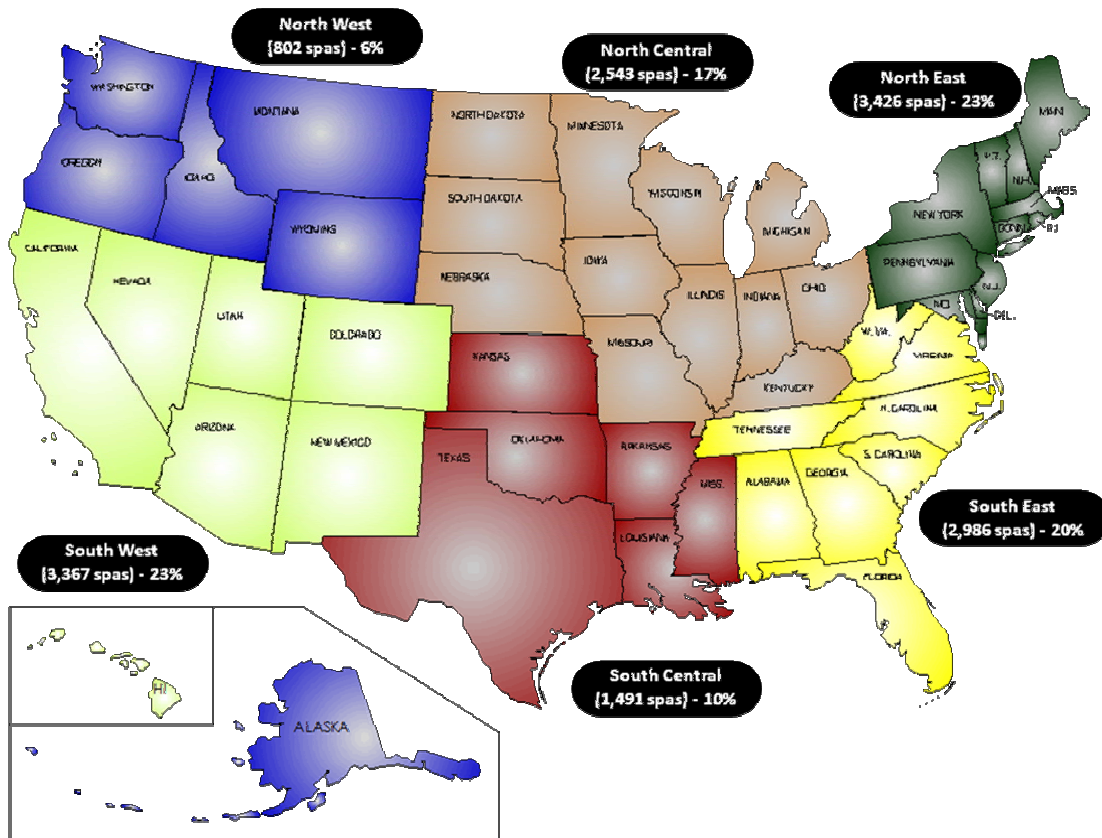
Since the year 2000, the International SPA Association has been tracking the size of the North American spa industry using five key indicators – number of locations, revenue, visits, employment and indoor space (square footage). This chapter provides a current “snapshot” of industry size based on these five key measurements. In addition to the overall size of the U.S. industry, estimates of size are also provided by type and region. An analysis of industry growth is presented in the next chapter while individual spa statistics may be found in *Chapter IV*. A summary of the Canadian spa industry can be found in *Chapter VII*.

How Many Spas Are There?

At the time of this study (July 2007), there were an estimated 14,600 spa locations across the United States. The 14,600 U.S. spas are owned and operated by approximately 12,800 different businesses. While the industry has seen some consolidation, it continues to be dominated by single location operations. A complete breakdown of spas by region is presented in **Exhibit 2-1**.

EXHIBIT 2-1 — REGIONAL DISTRIBUTION OF SPA ESTABLISHMENTS IN THE UNITED STATES

Total Number of Spas in the U.S. — 14,615



Note: Percentages do not sum to 100% due to rounding.

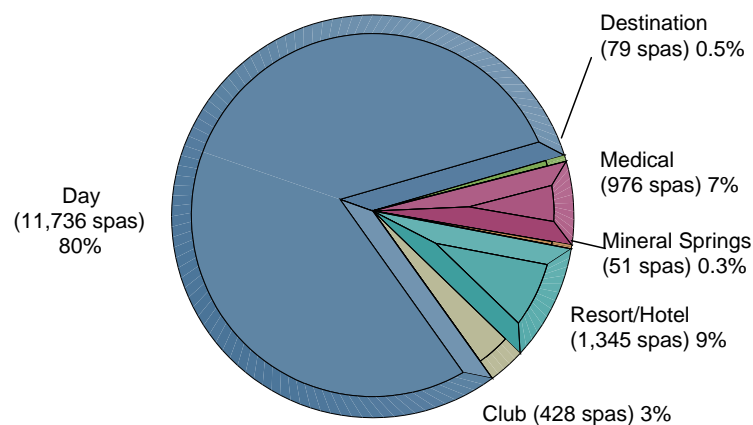
As illustrated in the exhibit, the two largest regions (each accounting for 23% of spas in the United States) are the North East and South West. The South East region is the next biggest at 20% of spa locations followed closely by the North Central region at 17%. As pointed out in previous studies, the distribution of spas generally follows the population distribution in the United States with a slight overrepresentation of spas in the South West and North East regions and an underrepresentation in North Central and South Central regions.

Interestingly, while the U.S. spa industry has been growing by leaps and bounds over the past decade, the distribution of spas by region has remained relatively unchanged. This even growth bodes well for the industry as it means it is not dependant on any one region.

A look at the distribution of spas by type (see **Exhibit 2-2**) reveals that four in five spas (80%) in the United States are day spas. This translates into just more than 11,700 day spas, which is significantly more spas than there were in total (10,128 in all categories) the last time a full industry study was conducted in April 2004. While day spas do not represent the entire industry, their significant market share suggests they will ultimately drive the overall industry numbers. Accordingly, the majority of significant fluctuations in the industry are often attributable to what is going on with day spas.

With more than 1,300 spas (representing 9% of the industry), the resort/hotel category is the second-largest followed closely by medical spas at 7% (or 976 spas). At 3% or just more than 400 spas, the club spa segment is also sizable. The destination spa (0.5%) and mineral springs spa (0.3%) segments are considerably smaller. Interestingly, findings from the ISPA 2005 Spa Industry Census indicate that medical spas overtook club spas for the third spot in terms of segment size some time in 2004. In fact, in 1999, the medical spa segment ranked fourth in size and was only slightly larger than the destination spa segment.

EXHIBIT 2-2 — NUMBER OF SPA ESTABLISHMENTS IN THE UNITED STATES BY SPA TYPE



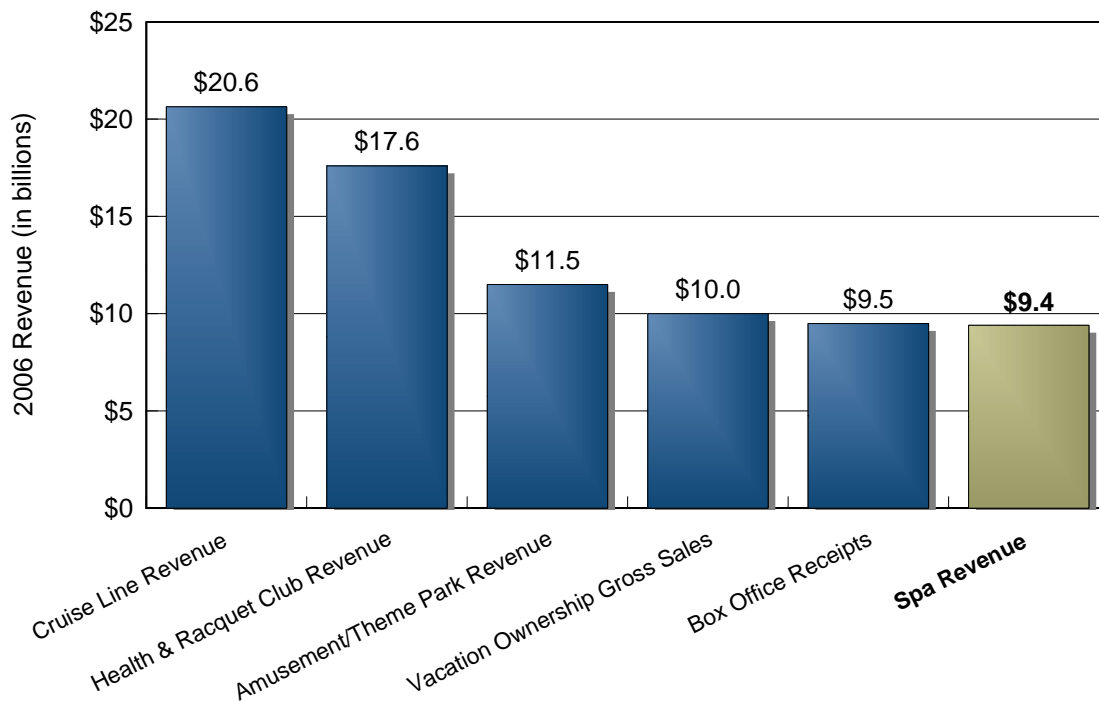
Notes: Spa type definitions can be found in Chapter IV.
Percentages do not sum to 100% due to rounding.

How Much Revenue Does the Spa Industry Generate?

The U.S. spa industry generated approximately \$9.4 billion in gross revenue in 2006. While it still fares well compared to other select leisure industries in the United States, the spa industry has lost some ground. As seen in **Exhibit 2-3**, 2006 saw the spa industry drop to last place in terms of revenues when compared to the five baseline leisure industries that have been tracked since ISPA began measuring the size of the spa industry in 2000. A comparison of leisure industry growth rates is presented in the next chapter.

Note: Revenues are presented as 2006 because it is a total cumulative measure for the year. Revenue for 2007 cannot be determined until 2007 has been completed.

EXHIBIT 2-3 — ESTIMATED SIZES OF U.S. LEISURE INDUSTRIES (2006)



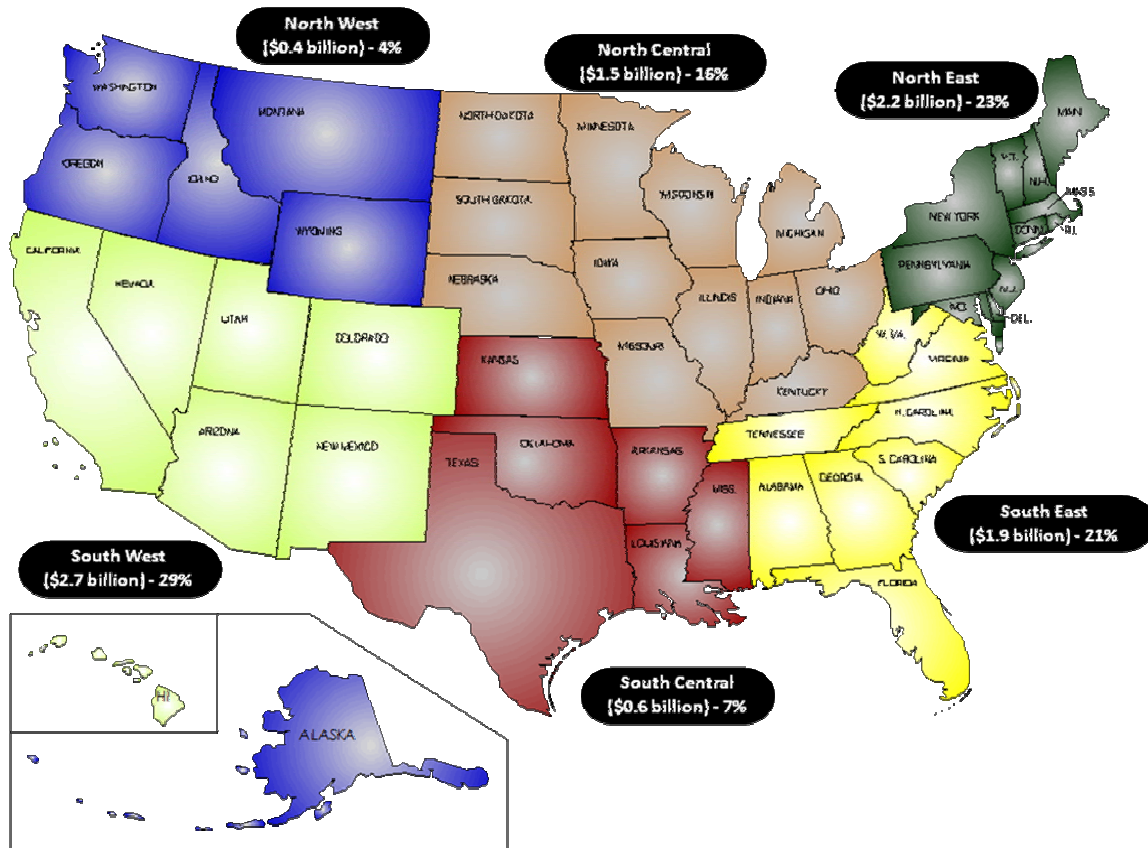
Source: International Council of Cruise Lines; International Health, Racquet and Sportclub Association; International Association of Amusement Parks; American Resort Development Association; Motion Picture Association of America; and Association Resource Centre Inc. estimates.

While revenues have dropped in comparison to other leisure industries, it is important to note that, while not presented here (see Exhibit 4-2), U.S. spas report experiencing a healthy 17.4% average profit margin in 2006. In other words, for every dollar generated in revenue, the average spa owner keeps \$0.17 as profit. The median profit margin is 10%. A more detailed discussion on the impact of rising profit margins on the spa industry is presented at the end of Chapter III, which talks about the different aspects of industry growth.

The distribution of spa revenues by region is shown in **Exhibit 2-4**. As illustrated, the South West region is the largest when it comes to industry revenues. The region accounted for 29% of industry revenues or \$2.7 billion in 2006. The North East is close behind at 23% (or \$2.2 billion) followed by the South East (21% or \$1.9 billion) and North Central (16% or \$1.5 billion) regions.

EXHIBIT 2-4 — REGIONAL DISTRIBUTION OF SPA REVENUES IN THE UNITED STATES IN 2006

Total 2006 Spa Industry Revenue in the U.S. — \$9.4 Billion



Revenue Confidence Interval	Spa Revenue Confidence Interval*		
	Low	Estimate	High
	\$7,324,835,252	\$9,384,923,177	\$11,445,011,102

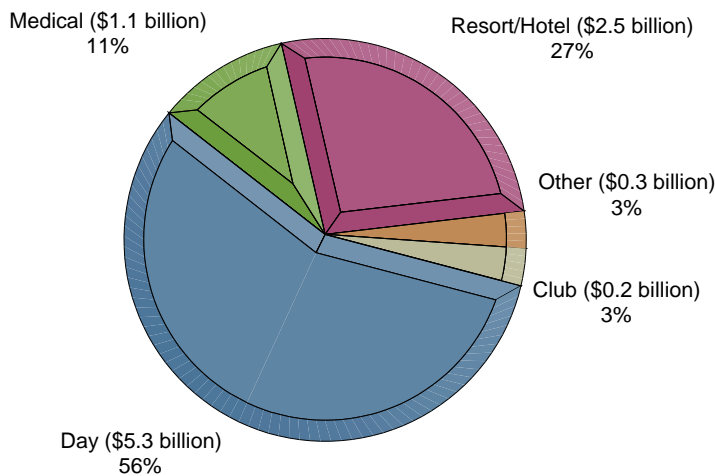
Notes: Interpret results for regions with caution due to small sample sizes.
 * Estimates are, by nature, subject to error. The confidence interval represents the range in which the true industry revenue falls. The level of confidence used was 95%.

Interestingly, the results show that the geographic distribution of revenue differs from the distribution of spa locations. Of most significance is that the South West accounts for a significantly greater portion of revenues (29%) than it does locations (23%). Overrepresentation occurs when spas in one region (or segment) have higher average revenues than spas in other regions (or segments). The overrepresentation of revenues in the South West is at the expense of the South Central and North

West regions, which are underrepresented. **Exhibit 2-4** also shows the confidence interval (or degree of error) associated with the overall industry estimate.

Given their dominance in the number of spas they represent, it comes as no surprise that day spas account for the largest share of industry revenues. However, compared to the number of locations, they represent far less than their fair share of industry revenues. Specifically, while day spas represent 80% of locations, they only represent 56% (or \$5.3 billion) of industry revenues. Conversely, at \$2.5 billion, the resort/hotel segment represents a significantly higher share of industry revenues (27%) than their share of locations (9%). The medical spa segment also represents a disproportionately high share of revenues (11% or \$1.1 billion) compared to locations (7%). Revenues for other segments are more in line with their respective shares of industry locations. Industry revenue by spa type is summarized in **Exhibit 2-5**.

EXHIBIT 2-5 — SPA REVENUES IN THE UNITED STATES BY SPA TYPE



Notes: Interpret results for spa types with caution due to small sample sizes.
 Due to small sample sizes, destination spas and mineral springs spas have been grouped under "other."

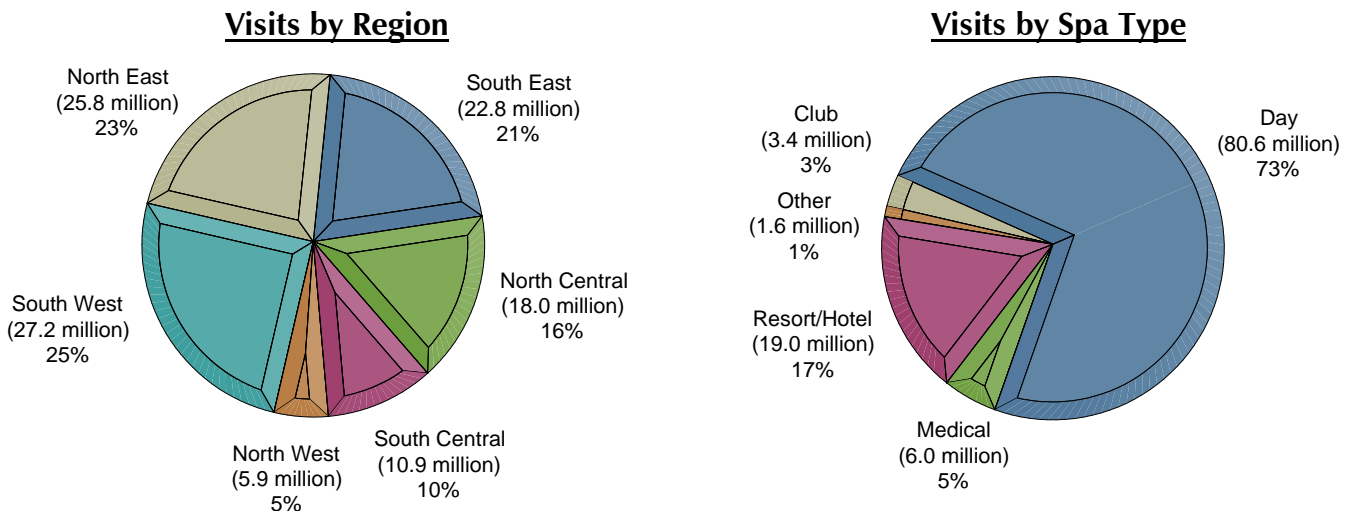
How Many Visits Are Made to U.S. Spas?

As seen in **Exhibit 2-6**, spa-goers made an estimated 111 million visits to U.S. spas in 2006. Unlike revenues, the distribution of spa visits by region is in line with each region's share of spa locations. On the other hand, a look at visits by spa type reveals that resort/hotel spas see a disproportionately high share of industry visits (17% of visits compared to 9% of locations) while day spas see less than their equal share (73% of visits compared to 80% of locations). In other words, the typical resort/hotel spa sees more visits than the average day spa. At only 5% of visits, medical spas are also slightly underrepresented when compared to their share of locations (7%).

Note: Visits are presented as 2006 because it is a total cumulative measure for the year. Visits for 2007 cannot be determined until 2007 has been completed.

EXHIBIT 2-6 — NUMBER OF SPA VISITS IN THE UNITED STATES IN 2006 BY REGION AND SPA TYPE

Total Spa Visits in the U.S. in 2006 — 110.6 Million



Spa Visit Confidence Interval*

	Low	Estimate	High
Spa Visit Confidence Interval	97,931,138	110,607,150	123,283,163

Notes: Interpret results for regions and spa types with caution due to small sample sizes.

Due to small sample sizes, destination spas and mineral springs spas have been grouped under "other."

Percentages may not sum to 100% due to rounding.

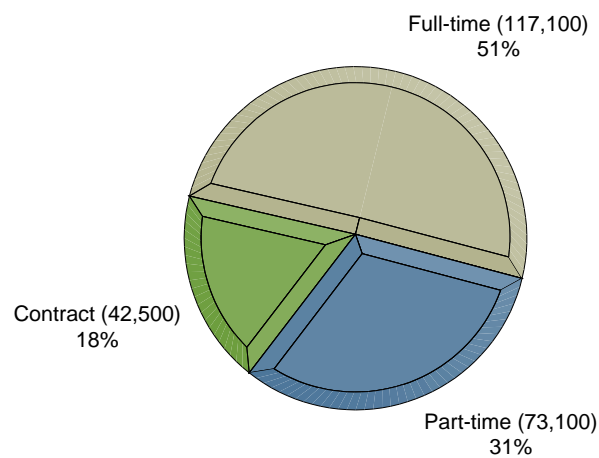
* Estimates are, by nature, subject to error. The confidence interval represents the range in which the true spa visit volume falls. The level of confidence used was 95%.

How Many People Are Employed by the Spa Industry?

At the time this study was conducted, the U.S. spa industry employed an estimated 232,700 people. This comprised 117,100 full-time workers, 73,100 part-time workers and 42,500 contract workers. Roughly half (51%) of spa industry workers are full-time employees. **Exhibit 2-7** shows the distribution of employees by level of employment. Importantly, spas report that, on average, 40% of their revenues go to payroll.

EXHIBIT 2-7 — TOTAL INDUSTRY EMPLOYMENT IN THE UNITED STATES

Total Spa Employees in the United States — 232,700



Total Spa Employment Confidence Interval*

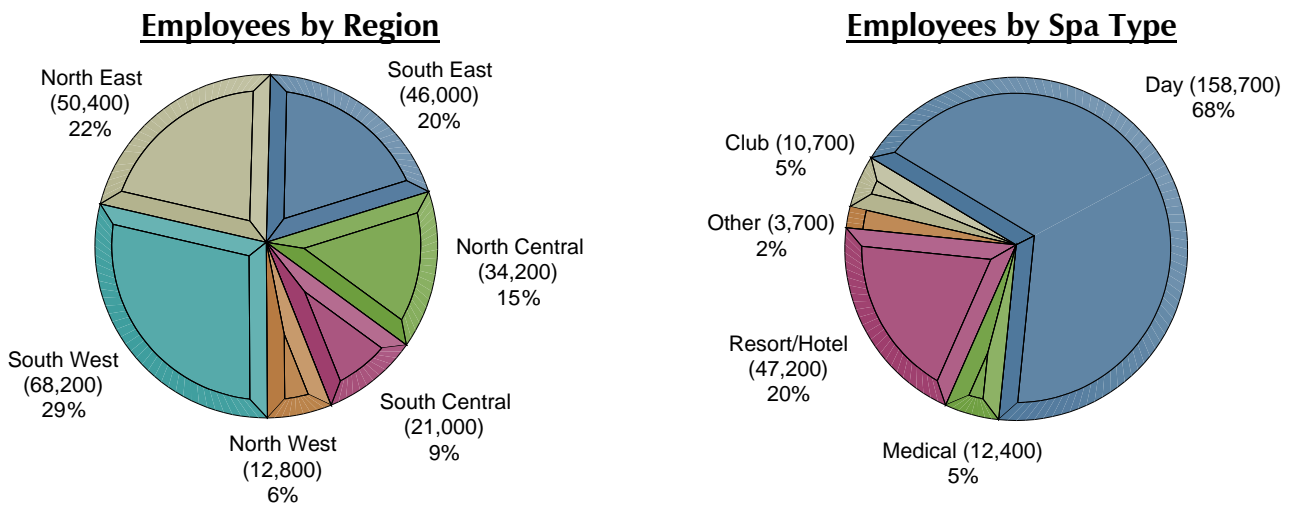
	Low	Estimate	High
Total Spa Employment Confidence Interval	202,494	232,673	262,853
Full-time employment confidence interval	103,743	117,067	130,392
Part-time employment confidence interval	62,898	73,076	83,254
Contract employment confidence interval	35,853	42,530	49,207

Note: * Estimates are by nature subject to error. The confidence interval represents the range in which the true industry employment falls. The level of confidence used was 95%.

Accounting for 29% of all industry employees, the South West region is the U.S. spa industry's largest employer at 68,200 employees. As was the trend with revenue generation, employment in this region is disproportionately high compared to the number of locations. However, unlike revenues, there is no one region that is particularly underrepresented in terms of employees. Instead, the share of employees in most other regions is only marginally lower than its share of locations. It is worth noting here that the South West region also has a higher than average portion of spas in the resort/hotel category than other regions. Given that resort/hotel spas tend to employ more people on average, this is a key contributing factor to the South West region having more than its fair share of employees. The distribution of employees by region and spa type is illustrated in **Exhibit 2-8**.

Once again, day spas are the largest spa type for employment with 158,700 employees; but, at only 68%, their share of industry employees is considerably lower than their share of locations (80%). Not surprisingly, it is the resort/hotel spas that are significantly overrepresented at one-fifth (20%) of employees compared to their 10% of locations.

EXHIBIT 2-8 — NUMBER OF EMPLOYEES BY REGION AND SPA TYPE



Notes: Interpret results for regions and spa types with caution due to small sample sizes. Due to small sample sizes, destination spas and mineral springs spas have been grouped under "other." Percentages may not sum to 100% due to rounding.

How Much Space Do U.S. Spas Occupy?

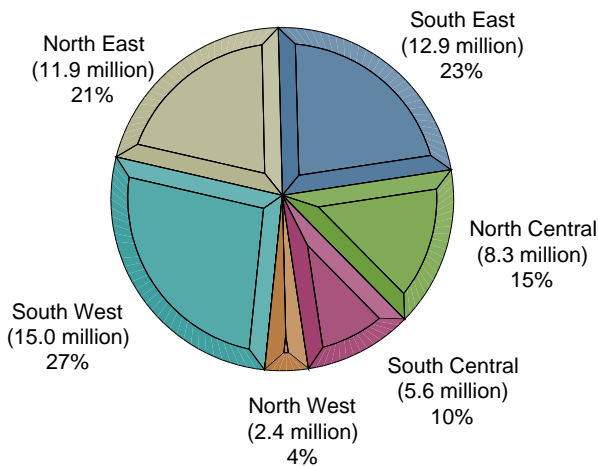
As is presented in **Exhibit 2-9**, the indoor space occupied by U.S. spas amounts to an estimated total of 56.2 million square feet. A look at the various regions and spa type segments reveals more of the same. Resort/hotel spas tend to be significantly bigger than other spas, which means that they account for a very significant 26% of total industry space (14.5 million square feet) compared to their 9% of locations. Once again, day spas are considerably underrepresented with only 62% of industry space. It is important to note that the reported square footages for resort/hotel spas do not include accommodations or food services. In other words, the square footage is limited only to services offered directly by the spa itself.

Geographically, the South West (27%) and South East (23%) regions occupy a greater share of space than they do locations. Conversely, regions occupying slightly less than their equal share of space are the North East (21%), North Central (15%) and North West (4%).

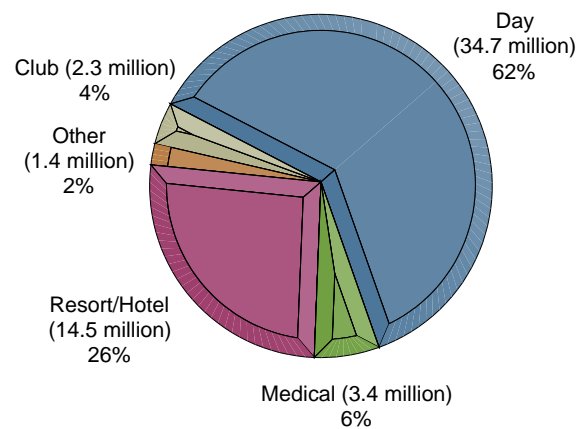
EXHIBIT 2-9 — INDOOR SQUARE FOOTAGE OCCUPIED BY U.S. SPAS BY REGION AND SPA TYPE

Total Indoor Square Footage in the United States — 56.2 Million Sq. Ft.

Sq. Ft. by Region



Sq. Ft. by Spa Type



Square Footage Confidence Interval*

	Low	Estimate	High
Square Footage Confidence Interval	48,117,742	56,160,296	64,202,850

Notes: Interpret results for regions and spa types with caution due to small sample sizes.
 Due to small sample sizes, destination spas and mineral springs spas have been grouped under "other."
 * Estimates are, by nature, subject to error. The confidence interval represents the range in which the true industry square footage falls.
 The level of confidence used was 95%.

Summary of the Size of the U.S. Spa Industry

A summary of the five key industry statistics by region and spa type is presented in **Exhibit 2-10**. As of July 2007, there were an estimated 14,600 spas in the United States. In 2006, the 14,600 U.S. spas produced total estimated revenues of \$9.4 billion from almost 111 million spa visits. The industry employs an estimated 232,700 people and occupies total indoor space of approximately 56.2 million square feet.

EXHIBIT 2-10 — SUMMARY OF U.S. SPA INDUSTRY STATISTICS BY REGION AND SPA TYPE

	Number of Spas	Revenue in Billions	Visits In Millions	Employees	Square Footage in Millions
U.S. Overall	14,615	\$9.4	110.6	232,700	56.2
REGION - ACTUALS:					
North East	3,426	\$2.2	25.8	50,400	11.9
South East	2,986	\$1.9	22.8	46,000	12.9
North Central	2,543	\$1.5	18.0	34,200	8.3
South Central	1,491	\$0.6	10.9	21,000	5.6
North West	802	\$0.4	5.9	12,800	2.4
South West	3,367	\$2.7	27.2	68,200	15.0
REGION – INDUSTRY SHARE:					
North East	23%	23%	23%	22%	21%
South East	20%	21%	21%	20%	23%
North Central	17%	16%	16%	15%	15%
South Central	10%	7%	10%	9%	10%
North West	6%	4%	5%	6%	4%
South West	23%	29%	25%	29%	27%
SPA TYPE – ACTUALS:					
Club	428	\$0.2	3.4	10,700	2.3
Day	11,736	\$5.3	80.6	158,700	34.7
Medical	976	\$1.1	6.0	12,400	3.4
Resort/Hotel	1,345	\$2.5	19.0	47,200	14.5
Other	130	\$0.3	1.6	3,700	1.4
SPA TYPE – INDUSTRY SHARE:					
Club	3%	3%	3%	5%	4%
Day	80%	56%	73%	68%	62%
Medical	7%	11%	5%	5%	6%
Resort/Hotel	9%	27%	17%	20%	26%
Other	1%	3%	1%	2%	2%

Note: Due to small sample sizes, destination spas and mineral springs spas have been grouped under "other." Region and type numbers may not sum to the country total due to rounding.

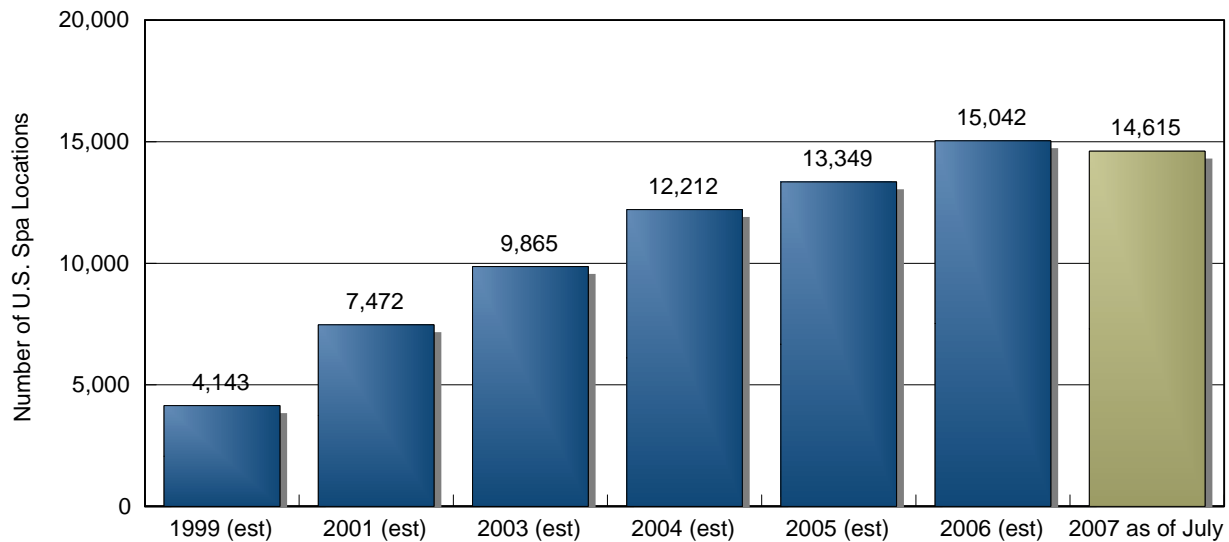
III. INDUSTRY GROWTH

The previous section presented a current snapshot of the size of the U.S. spa industry. The discussion now turns to how these numbers have been changing over the past few years. Changes are analyzed in each of the five key areas — number of locations, number of spa visits, revenues, employment and square footage. After presenting the findings for each of the individual statistics, the chapter concludes with a discussion of how these measures fit together to form a complete picture.

The Number of Spa Locations Continues to Grow

From 1999 to 2006, the number of spas in the United States has grown at an average annual rate of 21%. While this is a very strong average growth rate, the actual rate has been lower in recent years at only 9% in 2005 and 13% in 2006. Despite being considerably lower than the six-year average, however, the 2005 and 2006 growth rates continued to be strong. While the findings suggest that growth in the number of spa locations will continue to slow in terms of percentage growth, it is important to note that this does not necessarily mean overall growth is slowing. In fact, the results show that the industry has been growing by an average of 1,600 locations per year (ranging from 1,100 to 2,300). With a growth of 1,700 locations, 2006 continued to follow this trend. On a cumulative basis, the number of locations grew by a total of 253% from the end of 1999 to July 2007. In other words, the number of spas in the United States has more than tripled over the past seven and a half years. Growth in the number of spa locations is presented in **Exhibit 3-1**.

EXHIBIT 3-1 — GROWTH IN THE NUMBER OF U.S. SPA LOCATIONS



Establishment Growth Rate

	1999	2001*	2003*	2004	2005	2006	2007**
Annual	-	34%	15%	24%	9%	13%	-3%
Cumulative	-	80%	138%	195%	222%	264%	253%

Notes: Industry sizes for 1999 through 2006 are estimates of the number of spas at the end of each year. Industry size for 2007 represents the size of the industry as estimated in July 2007.

* Growth rates for 2001 and 2003 represent the average annual growth for the preceding two-year period.

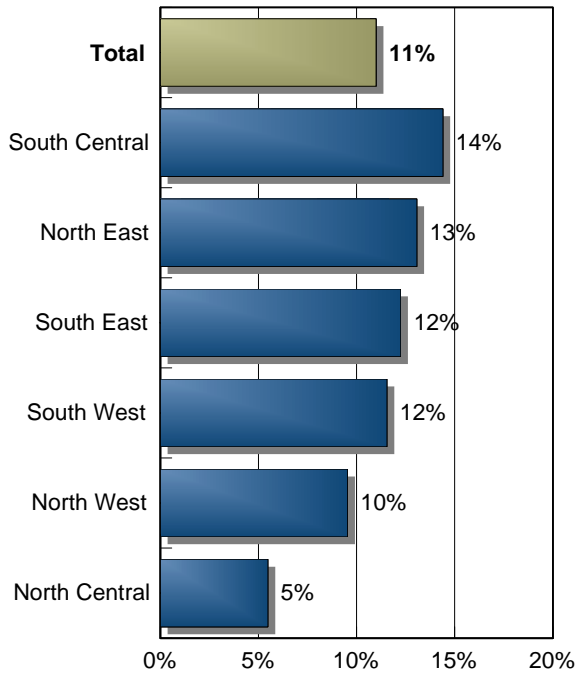
** The 2007 growth is year-to-date growth to July and is not an annual rate.

As of July, the year-to-date growth in locations for 2007 was negative at -3%. While the industry does need to be aware that this could be a sign of future decline, past experience has shown that mid-year growth rates are usually quite low compared to year-end growth rates. The main reason for this is that there is a three- to six-month lag before new spas surface in the various sources consulted to develop the industry inventory. However, there are some signs that the industry is facing some challenges. Specifically, while there continues to be a significant number of new spas entering the industry, random calling during the survey process revealed that 14% of previously qualified businesses were still in business, but no longer offered a variety of spa services. These are businesses that are leaving the industry, which is above and beyond the normal attrition experienced in previous studies (2% to 3%) resulting from those going out of business. This was particularly prevalent in the South East, North Central and North West regions. These findings suggest the industry has reached the stage where the cream is rising to the top. Those businesses that offer a quality product and consumer experience and generate a profit are the ones who will excel.

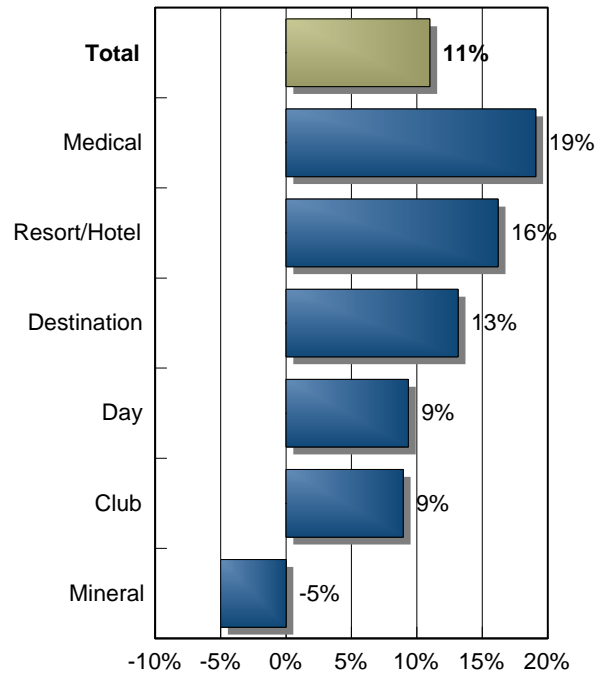
Average annual growth in the number of spa locations from 2004 to 2006 by region and spa type is presented in **Exhibit 3-2**. Since 2004, most regions grew by an average of 10% per year or greater, with the South Central region leading the way at 14%. The exception is the North Central region, which only grew by an average of 5% per year over the two-year period.

EXHIBIT 3-2 — AVERAGE ANNUAL GROWTH IN U.S. SPA LOCATIONS BY REGION AND SPA TYPE 2004 TO 2006

Average Annual Growth by Region



Average Annual Growth by Spa Type



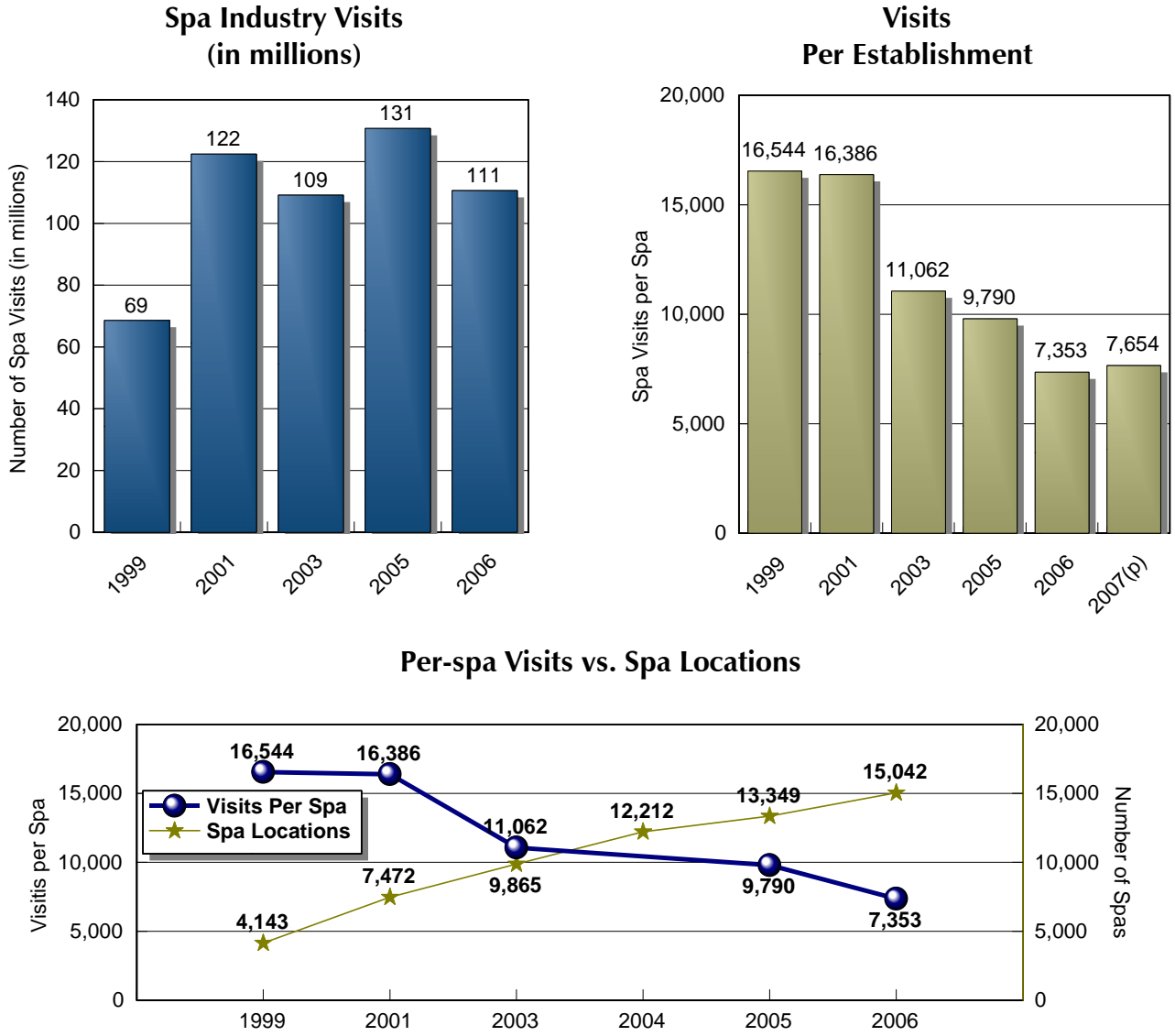
Note: Interpret results for regions and spa types with caution due to small sample sizes.

Medical spas continue to be the fastest-growing segment in terms of locations at an average rate of 19% per annum from 2004 to 2006. Resort/hotel spas are a close second at 16%. When interpreting these growth rates, it is important to consider the size of the segment. In other words, while the growth rate (percentage) is higher for a small segment (e.g., destination spa), the actual number of spas entering the industry is much lower than among larger segments (e.g., day spa) with a lower growth rate.

Changes in Consumer Demand – The Driving Economic Force

As with any industry, it is consumer demand that dictates the growth and success of the sector. The changes in consumer demand shown in **Exhibit 3-3** present some interesting findings that help shed some light on changes to other key industry indicators presented later in this chapter.

EXHIBIT 3-3 — GROWTH IN CONSUMER DEMAND



Note: The (p) on 2007 stands for "projected." The 2007 (p) bar represents what owners and managers expect to achieve in 2007.

Looking at the industry as a whole, total consumer demand doubled from 1999 to 2001, but has changed very little since then. More specifically, spa visits hovered in the 109 million to 131 million range between 2001 and 2006. While some significant growth rates (both positive and negative) can be calculated for the period, all changes since 2001 fall within the margin of error, suggesting that industry demand has remained stable for quite some time. While positive growth is preferable, stability also bodes well for the health of the industry.

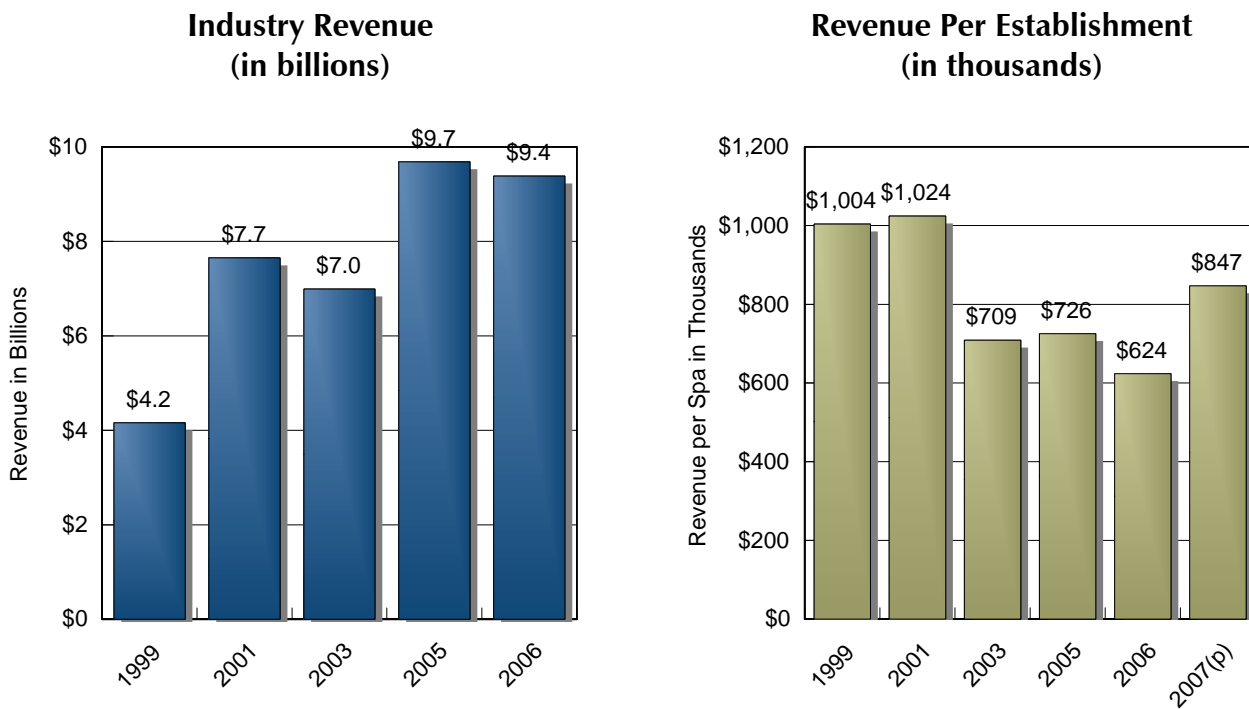
What does stability in demand mean in an industry where the number of businesses continues to grow? It means there are more businesses sharing pieces of the same pie. In the case of spa visits, this is evidenced by the steady decline in the number of visits per spa since ISPA began measuring the industry in 1999 (see **Exhibit 3-3**). In fact, at the individual spa level, visits have declined by an average of 12% per year since 1999. As long as the number of spa locations continues to grow, this trend will continue until the spa industry finds a way to increase the number of industry visits. (To help spa owners and managers better understand spa-goers and increase visits, ISPA has several consumer research reports available including the *ISPA 2006 Spa-Goer Study* and the *ISPA 2006 Consumer Report*.)

Spa owners and managers were also asked to indicate how many visits they felt their spa would see in 2007. Current spas report that they expect a modest increase from 7,353 visits in 2006 to 7,654 visits in 2007. Interestingly, if the number of spas for 2007 remained at 14,615 and spas achieved the anticipated average, total visits for 2007 would end up at 112 million, which is once again in the “stability” range discussed previously in this section of the report.

Industry Revenues Unchanged

As illustrated in **Exhibit 3-4**, the combination of steady demand and a growing number of spas is having an effect on industry revenues. The results from the latest industry survey indicate that spa industry revenues saw a slight decline of 3% (or about \$300 million) from \$9.7 billion in 2005 to \$9.4 billion in 2006. However, given the margin of error on the estimates, the results suggest that industry revenues are unchanged in 2006. Importantly, this is not the first time the industry has experienced a slight decline in the revenue growth trend. More specifically, after almost doubling its revenues from 1999 to 2001, the industry saw an average annual drop of 4.4% from 2001 to 2003 before climbing again by 18% per year from 2003 to 2005.

EXHIBIT 3-4 — SPA INDUSTRY REVENUE GROWTH

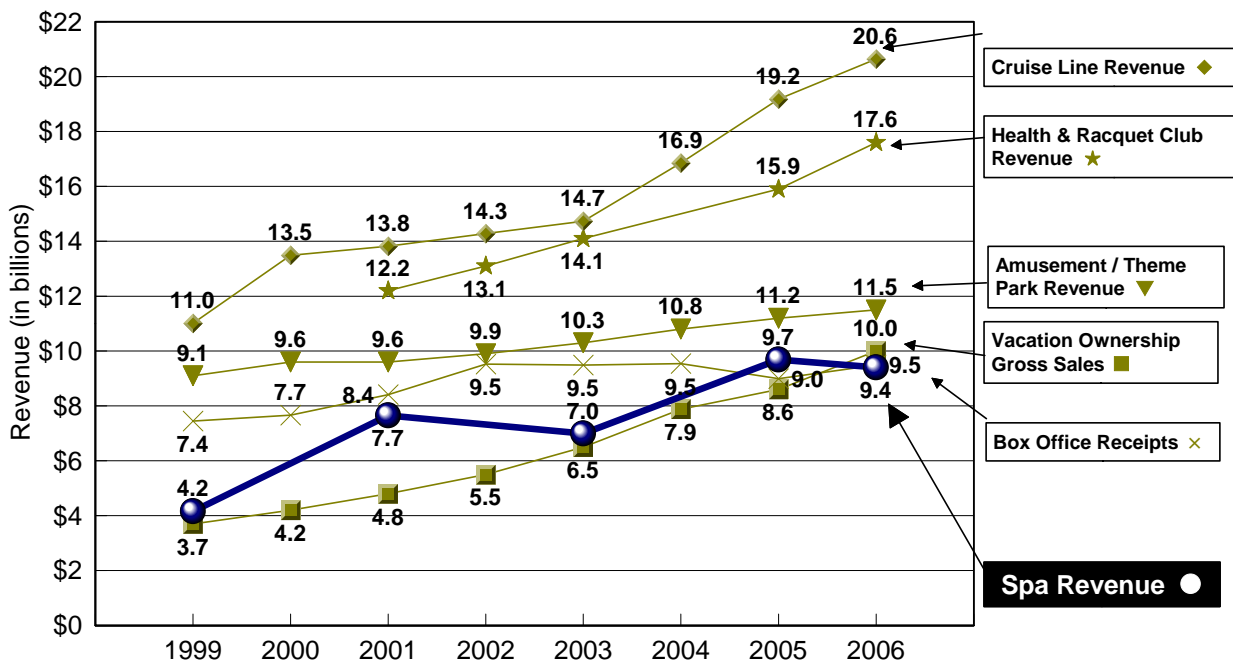


Note: The (p) on 2007 stands for "projected." The 2007 (p) bar represents what owners and managers expect to achieve in 2007.

Like visits, individual spas have seen a decline in average revenue, though the decline has not been as steady as for visits. Moreover, key drops in per-spa revenue occurred from 2001 to 2003 (average decrease of 17% per year) and 2005 to 2006 (decrease of 14%). As discussed later in this chapter, while these results do raise some concerns, a deeper analysis into how the different pieces work together, including profit margin, reveals that the industry is actually quite healthy. More on how these declines are possible without having caused a mass exodus from the industry is discussed at the end of this chapter.

Revenue growth for select U.S. leisure industries is charted in **Exhibit 3-5**. The lack of substantial revenue growth in 2006 has allowed other industries to surpass the spa industry. However, despite the lack of growth in 2006, the spa industry remains well positioned compared to these other leisure industries. Importantly, the spa industry was the top performer in terms of revenue growth from 1999 to 2006 with an average annual growth rate of 16.3% over seven years. Only vacation ownership sales came close at 15.3%. Over this time period, the spa industry closed the revenue gap with several competing U.S. industries to become a true force in the leisure sector. Another important point to note from the growth curves of the different industries is that some of them show the industry stalling briefly before returning to a growth trend.

EXHIBIT 3-5 — GROWTH IN LEISURE INDUSTRY REVENUE



Average Annual Revenue Growth Rate by Industry 1999 to 2006

	Spa Revenue	Vacation Ownership Gross Sales	Cruise Line Revenue	Health & Racquet Club Revenue*	Box Office Receipts	Amusement / Theme Park Revenue
Average Annual Growth Rate	16.3%	15.3%	9.6%	7.6%	3.7%	3.4%

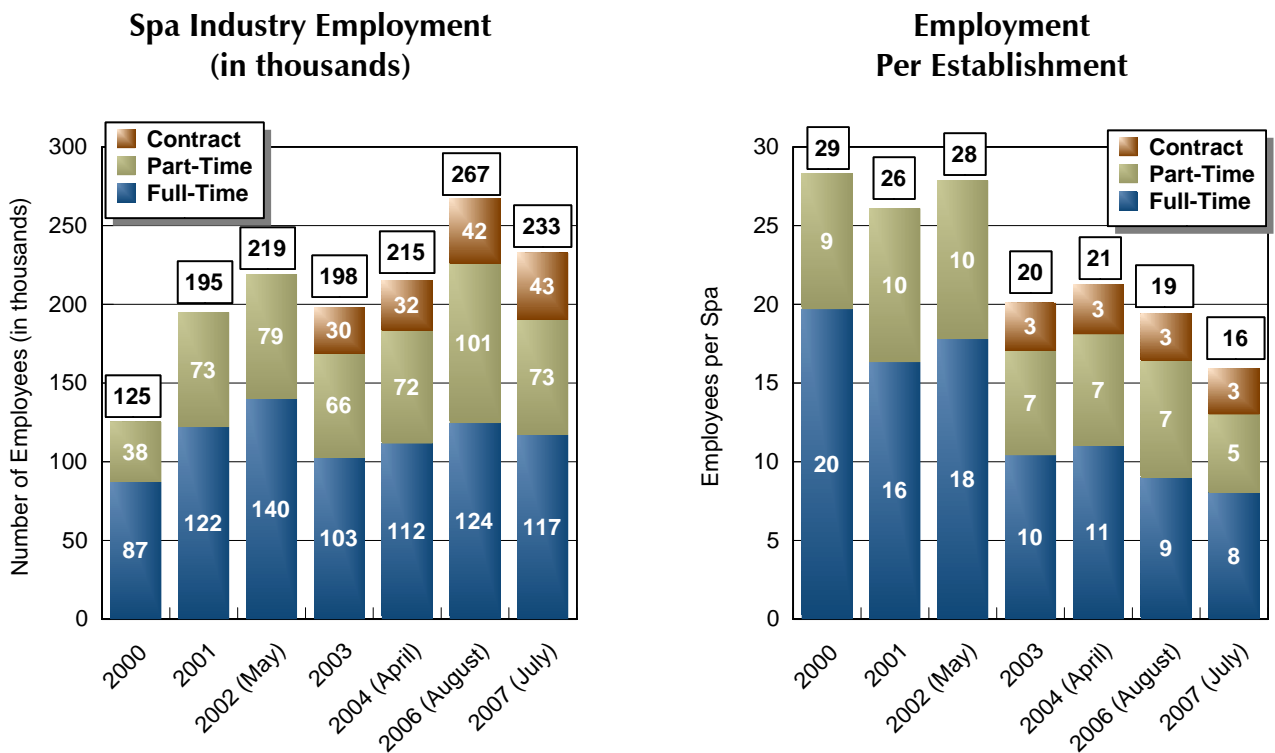
Notes: * Average annual growth is for 2001 to 2006 only.
 Source: International Council of Cruise Lines; International Health, Racquet and Sportclub Association; International Association of Amusement Parks; American Resort Development Association; Motion Picture Association of America; and Association Resource Centre Inc. estimates.

Industry Employment Growth

Since the inaugural spa industry study in 2000, employment in the spa industry has generally been on the rise. In fact, if the peaks in 2002 and 2006 are excluded as anomalies, the industry would be showing a steady seven-year climb at modest growth rates. The negative growth in employment experienced in 2007 is primarily attributable to a sharp rise and fall in the number of part-time employees from 2005 to 2007. The number of full-time employees also saw a fluctuation over the same period, but on a much smaller scale. Growth in spa industry employment is shown in **Exhibit 3-6**.

At the per-spa level, the number of employees has generally been declining since 2002, particularly since 2004. The per-spa average saw a sharp decline in 2003 from 28 employees to 20 following a period of stability. Since 2004, the number of employees per spa declined by an average of 5% per year to 2006 and then by 18% in 2007. As discussed later, the declines in per-spa averages are quite likely due to the influx of new spas and not to an actual decline among existing spas.

EXHIBIT 3-6 — GROWTH IN EMPLOYMENT



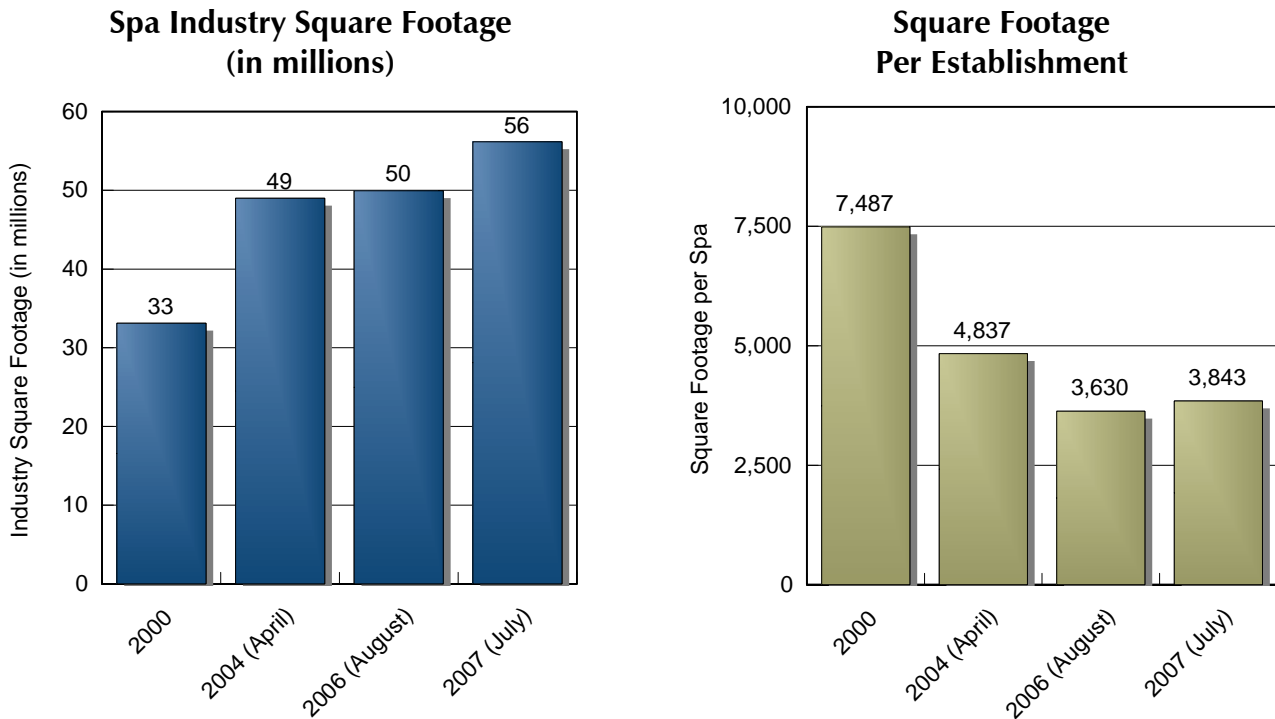
Note: Prior to 2003, surveys did not include a separate breakout of contract employees.

Interestingly, since 2001, the mix of full-time and part-time employees (excluding contract) has remained steady at roughly 62% full-time and 38% part-time. The exception is 2006 where there was a greater share of part-time employees. Similarly, since contract employees were added to the survey, the ratio of contract employees has consistently been at about 15-18%. In other words, with the exception of the spike in part-time employment seen in 2006, the mix of employees has been consistent since 2001.

Square Footage Grows With Locations

As would be expected, the total square footage of the U.S. spa industry has been increasing since the first study was conducted in 2000. As this is not a true performance measure (i.e., something that should grow at the per-spa level), it is tied closely to the growth rate in the number of spas. Annual growth in industry square footage has averaged 8% per year since 2000. Over the same period, the number of locations has grown by an average of 15% per year. In other words, both have been growing quickly, but square footage is a bit slower. As seen in **Exhibit 3-7**, the reason behind this is that as new spas enter the industry, the average square footage per spa has declined from almost 7,500 square feet in 2000 to just more than 3,800 in 2007.

EXHIBIT 3-7 — GROWTH IN SQUARE FOOTAGE



U.S. Spa Industry Growth Summary – Putting the Puzzle Together

Understandably, readers may question how these declines in revenue and visits per spa can happen without causing a mass exodus of spas from the industry. Alternately, they may feel it does not represent what they are seeing in the industry around them. What is important to understand is that a drop in average revenue or visits does not necessarily translate into decreases in revenues and visits for all spas. Rather it is an industry average that includes not only well-established spas that may be doing very well, but also the new upstart spas whose averages will naturally be lower in their first or second years of operation.

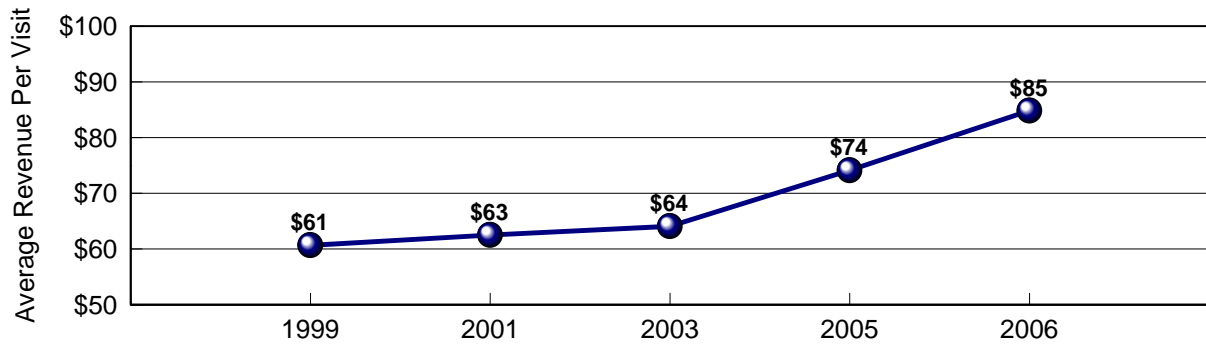
As mentioned earlier, results from the random telephone survey indicate that there has been a substantial amount of turnover in the industry. Moreover, in addition to the normal 2-3% of spas in the inventory that are found to be out of business when the industry studies are done, as much as an additional 14% were found to be in business but no longer defined as a spa (i.e., no longer offering a variety of spa services). Given that the industry ultimately grew in the number of locations, clearly the businesses that left the industry have been replaced. What this means is there are a large number of new businesses entering the industry that tend to pull down the averages. In fact, while not as pronounced, it is likely the large number of new businesses entering the industry has pulled averages down over the years. Overall, it is important to remember that the industry has more than tripled in size in the past seven years.

At the per-spa level, the majority of spas (the ones that have been around for a while) continue to do well while new businesses enter with lower production rates simply because they are new and need time to grow; and with the increased competition, the marginal businesses are forced to leave the industry. With so many new spas entering the industry, the net result is lower per-spa averages.

A deeper analysis into how some of these statistics fit together reveals some very interesting findings that, despite what they say on the surface, do actually paint a positive picture.

The first question many will have is how overall revenues can rise over time when visits remain the same. The obvious answer is that spa prices have risen. It is no secret in the industry that prices have generally been on the rise. As seen in **Exhibit 3-8** on the next page, the average revenue per visit (calculated as total industry revenue divided by total industry visits) has risen steadily from \$61 in 1999 to \$85 in 2006. Clearly, the increasing price has generally allowed industry revenue to continue to grow despite stability in demand. Looking ahead, spas will need to keep in mind the laws of price elasticity, which essentially dictate that at some point a rising price will lower demand enough that the net result will be lower overall revenues.

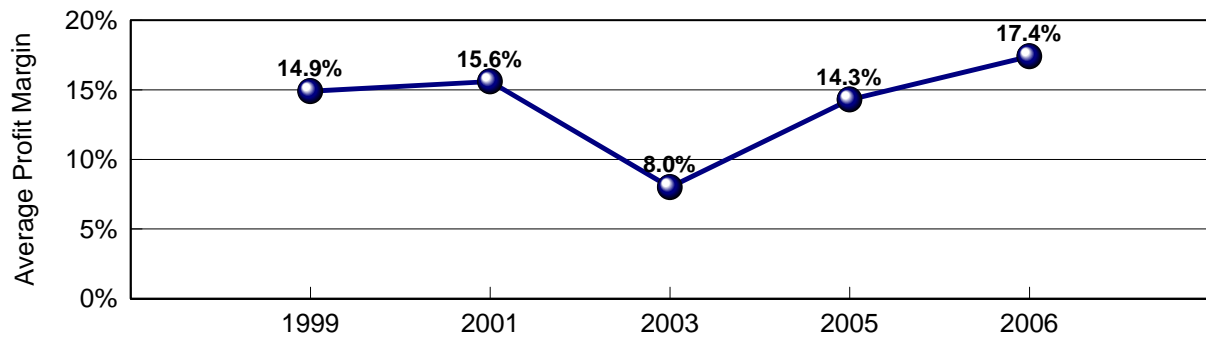
EXHIBIT 3-8 — AVERAGE REVENUE PER VISIT



Note: Revenue per visit calculated as total industry revenue divided by total industry visits.

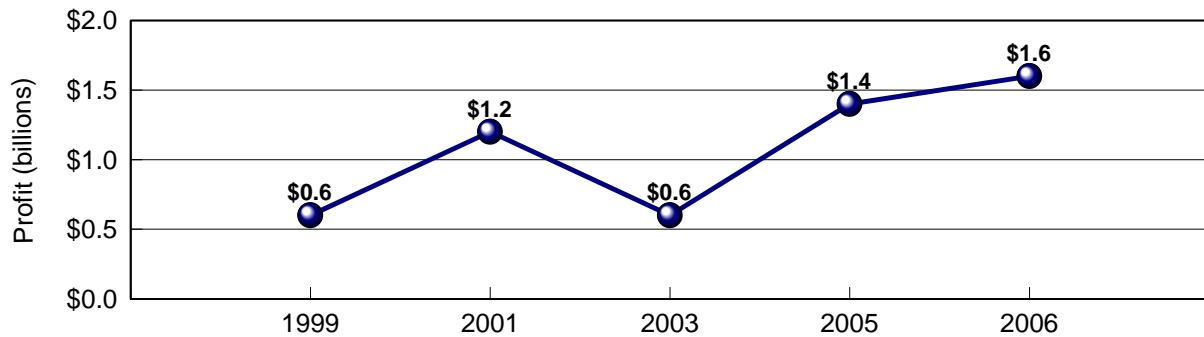
With the prices in recent years increasing more dramatically, another question that comes to mind is, are the increases out of necessity to cover costs or is profitability improving? As illustrated in **Exhibit 3-9**, the average profit margin dropped significantly from 2001 to 2003, but has been on the rise ever since. Not surprisingly, the improved profit margins began when the average revenue per visit started increasing significantly. Similarly, there was a significant drop in industry and per-spa revenue in 2003 coinciding with the decrease in profit margin. Putting these results together points to a conscious effort by those in the spa industry to improve profitability starting in 2003.

EXHIBIT 3-9 — AVERAGE PROFIT MARGIN



The final question looks at the true measure of industry health. At first glance, one might say the spa industry is in decline. However, if one digs beneath the surface, they will find that the industry is actually quite healthy. A good measure of industry health is total industry profits. As shown in **Exhibit 3-10**, total industry profits increased in 2006 and have been on the rise since 2003 despite stability in total industry revenue, visits and employment as well as declining per-spa averages. Again, the trend of profits (sharp decline in 2003 followed by a rise) suggest that those in the industry made a concerted effort to improve profitability.

EXHIBIT 3-10 — TOTAL INDUSTRY PROFIT



Note: Total profits uses a basic calculation of industry revenue multiplied by the average profit margin. The result is only an approximation.

Despite the picture that the basic measures might paint, results from deeper analysis point to a very strong and healthy spa industry that is perhaps at the stage where weaker players will be eliminated from the industry and others will get stronger. While the industry is healthy, there are several cautionary signs that the industry should pay attention to. The key to continued growth is in increasing the number of spa visits, either by attracting new spa-goers or by creating a need for existing spa-goers to go more frequently. (To help spa owners and managers better understand spa-goers and increase visits, ISPA has several consumer research reports available including the *ISPA 2006 Spa-Goer Study* and the *ISPA 2006 Consumer Report*.)

IV. INDUSTRY PROFILE

This chapter provides an overview of the characteristics of the spa industry: franchise affiliation, ownership structure, product offerings, revenue, visits from male clients, etc.

The first section presents these key characteristics for the United States as a whole and by U.S. region. The second section presents the same information for the different spa types. For comparison purposes, the second section also presents data from the *ISPA 2004 Spa Industry Study* for the spa profile and from the *ISPA 2006 Spa Industry Statistics* survey for the key statistics. It is important to note that the analysis presented in this chapter reflects the typical spa establishment for each subgroup. A profile of the full industry in the United States was provided in *Chapter II*.

Additional profiles including United States vs. Canada, ISPA member vs. Nonmember, Day vs. Stay spas and spa revenue are presented in the *Appendix* as an additional comparison point.

Geographic Profile

Exhibits 4-1 and **4-2** on the next two pages provide a summary of spa characteristics categorized by region.

EXHIBIT 4-1 — SPA PROFILE BY REGION

	Total U.S.	North East	South East	North Central	South Central	North West	South West
SPA TYPE:							
Club Spa	3%	3%	2%	3%	3%	3%	4%
Day Spa	80%	83%	79%	86%	82%	81%	72%
Destination Spa	0.5%	0.6%	0.4%	0.4%	0.5%	0.4%	0.9%
Medical Spa	7%	6%	8%	7%	7%	4%	7%
Mineral Springs Spa	0.3%	0.1%	0.3%	0.2%	0.5%	1%	0.5%
Resort / Hotel Spa	9%	7%	10%	4%	7%	11%	15%
FRANCHISE AFFILIATION:							
Franchisor	2%	4%	4%	1%	2%	0%	1%
Franchisee	2%	1%	1%	2%	4%	2%	5%
Not Affiliated With a Franchise	95%	96%	95%	97%	94%	98%	94%
OWNERSHIP STRUCTURE:							
Sole Proprietor	39%	38%	28%	48%	47%	33%	42%
Partnership	11%	15%	10%	13%	12%	4%	8%
Small Corporation	44%	41%	54%	36%	35%	57%	45%
Major Corporation	6%	6%	8%	3%	5%	6%	5%
Other	1%	0%	1%	0%	1%	1%	1%
PRODUCTS OFFERED*:							
Treatment Rooms	100%	100%	100%	100%	100%	96%	99%
Retail	89%	86%	90%	92%	88%	99%	88%
Salon	74%	73%	73%	85%	83%	77%	65%
Dedicated Relaxation Area	61%	62%	64%	62%	55%	60%	59%
Dedicated Wet Area	36%	27%	33%	34%	43%	42%	44%
Locker Rooms	33%	23%	28%	34%	32%	33%	47%
Educational Programs and Workshops	32%	32%	23%	38%	35%	30%	36%
Complementary or Alternative Therapies	31%	30%	30%	26%	25%	35%	39%
Mind, Body and Spirit Programs	19%	21%	23%	10%	18%	13%	23%
Medical	14%	15%	18%	15%	9%	8%	14%
Fitness or Sports Services	13%	10%	13%	9%	11%	7%	22%
Lodging	10%	8%	10%	5%	9%	8%	15%
Restaurants	8%	7%	10%	3%	8%	4%	11%
DAYS OPEN PER WEEK:							
Less than five days per week	3%	4%	2%	3%	4%	2%	1%
Five days per week	30%	35%	35%	29%	36%	20%	21%
Six days per week	38%	33%	39%	53%	42%	35%	27%
Seven days per week	30%	28%	25%	15%	18%	43%	52%
ACCESS**:							
Open to the general public	98%	96%	98%	100%	100%	92%	97%
Restricted to members	1%	0%	2%	0%	0%	0%	1%
Primarily members, but public too	2%	4%	0%	0%	0%	8%	2%
APPLY ENVIRONMENTALLY SUSTAINABLE PRACTICES:							
	76%	76%	73%	72%	77%	82%	77%
BOOKING OPTIONS:							
Specific services only	76%	81%	75%	72%	81%	82%	72%
Can book blocks of time	24%	19%	25%	28%	19%	18%	28%

Notes: Interpret region results with caution due to small sample sizes.
 Percentages may not sum to 100% due to rounding.
 *Percentages sum to more than 100% due to multiple responses.
 **Access question was asked to Internet respondents only.

EXHIBIT 4-2 — KEY SPA STATISTICS BY REGION

	Total U.S.	North East	South East	North Central	South Central	North West	South West
REVENUE IN THOUSANDS:							
2006 Revenue – Average	\$624	\$616	\$621	\$554	\$435	\$458	\$791
2006 Revenue – Median	\$250	\$220	\$250	\$200	\$175	\$286	\$275
Anticipated 2007 Revenue – Average	\$847	\$792	\$887	\$765	\$625	\$537	\$1,068
Anticipated 2007 Revenue – Median	\$375	\$400	\$400	\$275	\$300	\$301	\$355
Profit Margin – Average	17.4%	12.6%	16.2%	18.7%	24.1%	19.3%	19.2%
Profit Margin – Median	10%	10%	10%	10%	15%	15%	15%
SPA VISITS:							
2006 Annual Spa Visits – Average	7,353	7,371	7,366	6,579	7,435	7,065	7,924
2006 Annual Spa Visits – Median	3,900	3,120	3,900	4,680	3,225	4,723	5,000
Anticipated 2007 Spa Visits – Average	7,654	6,818	8,000	6,791	6,870	6,169	9,115
Anticipated 2007 Spa Visits – Median	5,000	3,500	4,100	5,500	4,000	5,177	5,500
Average Daily Clients – Average	23	24	22	22	24	21	24
Average Daily Clients – Median	14	12	13	15	12	15	15
% Visits by New Clients – Average	39%	39%	42%	34%	37%	40%	40%
% Visits by Male Clients – Average	21%	20%	23%	19%	20%	23%	23%
EMPLOYMENT:							
Full-time Employees – Average	8.0	7.0	8.5	7.4	7.7	7.8	9.3
Full-time Employees – Median	5	4	5	5	5	3	4
Part-time Employees – Average	5.0	5.6	3.9	4.6	3.1	4.2	6.8
Part-time Employees – Median	3	4	2	3	2	2	3
Contract Employees – Average	2.9	2.2	3.0	1.5	3.3	4.0	4.2
Contract Employees – Median	0	0	0	0	0	1	1
% of Revenue to Payroll – Average	40.1%	39.5%	42.9%	42.8%	38.5%	35.1%	38.1%
% of Revenue to Payroll – Median	45%	45%	45%	47%	40%	35%	40%
SPA SPACE:							
Locations – Average	1.6	1.3	2.0	1.4	1.7	1.2	1.6
Locations – Median	1	1	1	1	1	1	1
Indoor Square Footage – Average	3,843	3,443	4,306	3,249	3,752	2,973	4,440
Indoor Square Footage – Median	2,100	2,000	2,400	2,300	2,500	2,000	2,000
AVERAGE PRICES:							
Average Price/Service	\$79	\$80	\$83	\$67	\$69	\$71	\$89
Average Price/Massage	\$77	\$78	\$81	\$66	\$70	\$72	\$87
Average Price/Facial	\$80	\$81	\$84	\$70	\$71	\$77	\$88
REVENUE RATIOS:							
Revenue Per Sq. Ft. – Average	\$165	\$174	\$171	\$149	\$109	\$189	\$180
Revenue Per Sq. Ft. – Median	\$109	\$117	\$111	\$105	\$88	\$153	\$110
Treatment Rev. Per Sq. Ft. – Average	\$234	\$264	\$255	\$179	\$112	\$258	\$264
Treatment Rev. Per Sq. Ft. – Median	\$154	\$175	\$168	\$133	\$94	\$252	\$169
Salon Revenue Per Sq. Ft. – Average	\$199	\$263	\$186	\$191	\$171	\$129	\$174
Salon Revenue Per Sq. Ft. – Median	\$143	\$200	\$143	\$160	\$104	\$82	\$116
Treatment Revenue Per Room – Average	\$47,738	\$48,318	\$49,160	\$44,726	\$28,705	\$51,737	\$54,545
Treatment Revenue Per Room – Median	\$33,333	\$33,409	\$37,500	\$35,000	\$23,333	\$40,000	\$33,333
Salon Revenue Per Station – Average	\$28,282	\$32,610	\$35,076	\$28,702	\$20,470	\$17,373	\$24,753
Salon Revenue Per Station – Median	\$17,500	\$27,000	\$23,438	\$16,333	\$17,500	\$8,320	\$15,000
Revenue Per Visit – Average	\$97	\$107	\$89	\$89	\$80	\$85	\$107
Revenue Per Visit – Median	\$70	\$64	\$79	\$60	\$61	\$69	\$78
Revenue Per Employee – Average	\$31,492	\$26,208	\$33,658	\$34,132	\$32,232	\$29,320	\$32,518
Revenue Per Employee – Median	\$25,000	\$20,833	\$25,806	\$23,333	\$23,026	\$26,667	\$27,273
Average Retail Spend Per Visit – Average	\$48	\$45	\$45	\$41	\$48	\$41	\$58

Notes: Averages represent the average values for the given item while medians represent the midpoint (i.e., 50% of responses fall below the median and 50% are above the median).

Interpret region results with caution due to small sample sizes.

Treatment revenue per square foot and treatment room is based on treatment revenue and space only.

Salon revenue per square foot and station is based on salon revenue and space only.

Overview of Spas in the United States

Following are highlights of the key characteristics of the spa industry in the United States.

Note: The following text refers to results presented in **Exhibit 4-1**.

- The industry continues to be dominated by day spas with four out of five (80%) U.S. spas belonging to this category. Resort/hotel spas are the second-largest category, accounting for 9% of all establishments, followed closely by medical spas at 7%.
- Despite a fair amount of consolidation in the industry over recent years, franchising is still not common. Ninety-five percent (95%) of spas claim to have no franchise affiliation. It is important to note that a “franchise” is a very specific model for operating like-branded locations with different owners for each franchise. Multiple spas owned by a single owner (or company) do not necessarily constitute a franchise.
- “Small” ownership structures continue to dominate the industry. As seen in previous studies, the most common ownership structures are small corporations (44%) and sole proprietorships (39%). Only 6% are owned by major corporations.
- Treatment rooms (100%) and retail (89%) continue to be the dominant service areas within the industry. With three-quarters (74%) of spas indicating they offer them, salon services are also a key offering within the industry. Just under two-thirds (61%) of spas have a dedicated relaxation area, making it a core part of the offering. A second tier of services and spa components, each offered by one-third of spas, includes dedicated wet areas (36%), locker rooms (33%), educational programs and workshops (32%) and complementary or alternative therapies (31%).
- Only 30% of spas report that they are open seven days a week. At 38%, the most common practice is to be open six days a week. A further 30% report being open five days a week.
- While there is a move toward “member-oriented” spas such as community/residential spas, there is a long way to go before these become mainstream. Only 1% indicated that their spa is completely restricted to members while another 2% focus on members, but also make their services available to the public.
- In a world where environmental conservation is ever increasing in importance, it is interesting to note that three-quarters (76%) of U.S. spas indicated that they apply environmentally sustainable practices.
- Traditionally, spa services have been booked on a per-service basis. Three-quarters (76%) of spas report that they continue to operate exclusively in this way. The remaining 24% indicated that clients can also book blocks of time instead of specific services.

Note: The following text refers to results presented in **Exhibit 4-2**.

- The average annual revenue per spa in the United States is \$624,000. While the average is quite high, half of all spas generate less than the median revenue of \$250,000. As discussed in the chapter on growth, spa owners and managers are predicting higher revenues for their spas in 2007 at an average of \$847,000 or a median of \$375,000. The average profit margin (before tax) in the United States in 2006 was 17.4%. The median was quite a bit lower at 10%, but is still quite strong.
- The typical spa experienced 3,900 visits in 2006 or 14 visits per day. The larger spas bring the average to 7,400 visits or 23 visits per day. Spas report that on average, male patrons account for one-fifth (21%) of visits and that 39% of visits are from clients they have not seen before (these may or may not be new spa-goers).
- U.S. spas employ an average of 15.9 persons, half (50%) of whom are full-time employees. Eighteen percent (18%) or 2.9 of these employees work on a contract basis. The median number of employees is eight. The average spa spends 40% of its revenue on staff salaries and wages. On average, spas produce just more than \$30,000 in revenue per employee.
- On average, spas in the United States consist of just over 3,800 square feet of indoor space. However, the median indicates that half of spas have 2,100 square feet of space or less.
- The average price of a spa treatment in the United States is \$79. The average cost per massage is \$77, while the average cost per facial is \$80.
- **Exhibit 4-2** also provides a series of revenue metrics that spas can use to gauge their performance. While only the averages are discussed here, medians are also presented in the exhibit for informational purposes. Overall, U.S. spas generated an average of \$165 per square foot in 2006. This is down considerably from the \$207 per square foot in 2005 as a result of the increase in average square footage per spa and the lower average revenues. A closer look at specific spa components reveals that spas generated an average of \$234 in treatment revenue per square foot of treatment room space or almost \$48,000 in treatment revenue per treatment room. Similarly, they generated \$199 in salon revenue per square foot of salon space or just more than \$28,000 per salon station.
- At \$97, the average revenue per visit has increased somewhat over the \$85 per visit in 2005. Spas reported an average retail revenue of \$48 per visit.

Profile by U.S. Region

This section looks at the spa industry by geographic region. The various regions have been defined as follows:

- *North East:* Connecticut; Delaware; Massachusetts; Maryland; Maine; New Hampshire; New Jersey; New York; Pennsylvania; Rhode Island; and Vermont
- *South East:* Alabama; Washington, D.C.; Florida; Georgia; North Carolina; South Carolina; Tennessee; Virginia; and West Virginia
- *North Central:* Iowa; Illinois; Indiana; Kentucky; Michigan; Minnesota; Missouri; Nebraska; North Dakota; Ohio; South Dakota; and Wisconsin
- *South Central:* Arkansas; Kansas; Louisiana; Mississippi; Oklahoma; and Texas
- *North West:* Alaska; Idaho; Montana; Oregon; Washington; and Wyoming
- *South West:* Arizona; California; Colorado; Hawaii; New Mexico; Nevada; and Utah

The following summarizes some key differences between the U.S. regions (note that only significant differences are reported):

Note: The following text refers to results presented in both **Exhibits 4-1** and **4-2**.

- *North East:* There are very few significant differences between the North East region and the U.S. industry overall. Spas in the North East are less likely than those in other regions to offer locker rooms (23%). They also have the highest salon revenue per square foot of salon space (\$263) of any region. Conversely, North Eastern spas have the lowest revenue per employee (\$26,208). Finally, the average profit margin is lowest in the North East, at 12.6%.
- *South East:* Corporate ownership (62% small or major) is more common in the South East compared to other regions while sole proprietorships are less common (28%).
- *North Central:* Spas in this region are the least likely to be resort/hotel spas (4%) and are among the most likely to be a sole proprietorship (48%). North Central spas saw fewer spa visits (6,600) in 2006 than in other regions. Their average price per service is among the lowest in the country (\$67 overall).
- *South Central:* Along with the North Central region, spas in the South Central are among the most likely to be sole proprietorships (47%). Despite having the lowest average revenue (\$435,000), it is interesting to note that spas in this region have a higher average profit margin (24.1%) than spas in other regions. South Central spas also achieved lower than average results in terms of several revenue ratios including revenue per square foot (\$109), treatment

revenue per treatment room square foot (\$112), treatment revenue per treatment room (\$28,700), salon revenue per salon station (\$20,500) and revenue per visit (\$80).

- *North West:* Spas in the North West region are among the most likely to have corporate ownership (63% small or major) and to be open seven days a week (43%). They have one of the highest revenue per square foot ratios (\$189); but are among the lowest regions for revenue (\$458,000), salon revenue per square foot (\$129), salon revenue per station (\$17,400) and revenue per visit (\$85).
- *South West:* As seen in the past, compared to other regions, spas in the South West region are less likely to be day spas (72%) and more likely to be resort/hotel spas (15%). They are the least likely region to offer salon services (65%); however, they are more likely to offer fitness or sports services (22%) and locker rooms (47%). They are the most likely region to have spas that are open seven days a week (52%). Given that they are more likely to be resort/hotel spas, it is not surprising that spas in this region tend to be bigger (4,400 square feet), generate more revenue (\$791,000), see more spa visits (7,900) and employ more people (20.3). Interestingly, these spas generate higher than average treatment revenue per room (\$54,500), revenue per square foot (\$180) and revenue per visit (\$107).

Profile by Spa Type

This section looks at the spa industry by type of spa. **Exhibits 4-3** and **4-4** provide a summary of spa characteristics, establishment profiles, product offerings and spa statistics by the type of spa. For the purpose of the 2007 study, destination spas and mineral springs spas have been grouped under “other type of spa” due to the small sample sizes in these categories.

Spa industry segments are defined as follows:

- *Club Spa:* Persons, firms, corporations or other business entities whose primary purpose is fitness and offers a variety of professionally administered spa services on a day-use basis.
- *Day Spa:* Persons, firms, corporations or other business entities that operate a spa offering a variety of professionally administered spa services to clients on a day-use basis.
- *Destination Spa:* Persons, firms, corporations or other business entities that operate a spa whose primary purpose is guiding individual spa-goers to develop healthy habits. Historically a seven-day stay, this lifestyle transformation can be accomplished by providing a comprehensive program that includes spa services, physical fitness activities, wellness education, healthful cuisine and special interest programming.
- *Medical Spa:* A facility that operates under the full-time, on-site supervision of a licensed health care professional whose primary purpose is to provide comprehensive medical and wellness care in an environment that integrates spa services, as well as traditional, complimentary and/or alternative therapies and treatments. The facility operates within the scope of practice of its staff, which can include both Aesthetic/Cosmetic and Prevention/Wellness procedures and services.
- *Mineral Springs Spa:* Persons, firms, corporations or other business entities that operate a spa offering an on-site source of natural mineral, thermal or sea water used in professionally administered hydrotherapy treatments.
- *Resort/Hotel Spa:* Persons, firms, corporations or other business entities that operate a spa within a resort or hotel providing professionally administered spa services, fitness and wellness components and spa cuisine menu choices.

A brief comparison of the different types of spas follows the exhibit.

EXHIBIT 4-3 — SPA PROFILE BY SPA TYPE							
	2007 Total	2004 Total***	Club Spa	Day Spa	Medical Spa	Resort/ Hotel	Other†
REGION:							
North East	23%	22%	25%	24%	21%	17%	17%
South East	20%	20%	17%	20%	23%	23%	15%
North Central	17%	20%	16%	19%	17%	7%	11%
South Central	10%	9%	9%	10%	11%	8%	11%
North West	6%	6%	5%	6%	3%	6%	9%
South West	23%	23%	28%	21%	24%	38%	37%
FRANCHISE AFFILIATION:							
Franchisor	2%	2%	3%	2%	2%	3%	9%
Franchisee	2%	2%	0%	2%	6%	4%	0%
Not Affiliated With a Franchise	95%	97%	97%	96%	92%	93%	91%
OWNERSHIP STRUCTURE:							
Sole Proprietor	39%	33%	22%	41%	43%	25%	42%
Partnership	11%	10%	17%	12%	7%	8%	6%
Small Corporation	44%	42%	43%	44%	48%	38%	31%
Major Corporation	6%	12%	14%	3%	2%	27%	5%
Other	1%	3%	5%	0%	0%	3%	17%
PRODUCTS OFFERED*:							
Treatment Rooms	100%	98%	100%	100%	99%	100%	100%
Retail	89%	94%	80%	90%	94%	86%	69%
Salon	74%	58%	61%	77%	53%	74%	28%
Dedicated Relaxation Area	61%	64%	69%	59%	53%	80%	84%
Dedicated Wet Area	36%	N/A	50%	30%	37%	74%	82%
Locker Rooms	33%	45%	71%	27%	28%	74%	32%
Educational Programs and Workshops	32%	30%	56%	30%	40%	35%	85%
Complementary or Alternative Therapies	31%	N/A	26%	31%	32%	32%	65%
Mind, Body and Spirit Programs	19%	N/A	39%	15%	19%	46%	64%
Medical	14%	15%	11%	11%	68%	6%	17%
Fitness or Sports Services	13%	13%	37%	7%	12%	58%	44%
Lodging	10%	13%	9%	1%	4%	79%	74%
Restaurants	8%	15%	19%	1%	5%	61%	51%
DAYS OPEN PER WEEK:							
Less than five days per week	3%	N/A	0%	3%	3%	1%	11%
Five days per week	30%	N/A	9%	33%	37%	4%	14%
Six days per week	38%	N/A	28%	42%	35%	5%	20%
Seven days per week	30%	N/A	63%	22%	25%	91%	54%
ACCESS**:							
Open to the general public	98%	N/A	36%	99%	100%	100%	74%
Restricted to members	1%	N/A	14%	0%	0%	0%	26%
Primarily members, but public too	2%	N/A	49%	1%	0%	0%	0%
APPLY ENVIRONMENTALLY SUSTAINABLE PRACTICES:	76%	N/A	60%	77%	62%	73%	87%
BOOKING OPTIONS:							
Specific services only	76%	N/A	71%	77%	71%	81%	37%
Can book blocks of time	24%	N/A	29%	23%	29%	19%	63%

Notes: Interpret spa type results with caution due to small sample sizes.
 Percentages may not sum to 100% due to rounding.
 *Percentages sum to more than 100% due to multiple responses.
 **Access question was asked to Internet respondents only.
 ***Source: ISPA 2004 Spa Industry Report.
 †Other type of spa includes mineral springs spas and destination spas.

EXHIBIT 4-4 — KEY SPA STATISTICS BY SPA TYPE

	2007 Total	2006 Total***	Club Spa	Day Spa	Medical Spa	Resort/ Hotel	Other [†]
REVENUE IN THOUSANDS:							
2006 Revenue – Average	\$624	\$726	\$481	\$446	\$1,069	\$1,743	\$1,991
2006 Revenue – Median	\$250	\$350	\$375	\$200	\$350	\$900	\$375
Anticipated 2007 Rev. – Average	\$847	N/A	\$492	\$616	\$1,093	\$2,403	\$2,611
Anticipated 2007 Rev. – Median	\$375	N/A	\$400	\$300	\$500	\$1,200	\$2,000
Profit Margin – Average	17.4%	14%	16.7%	16.1%	27.6%	23.6%	N/A
Profit Margin – Median	10%	N/A	15%	10%	30%	23%	N/A
SPA VISITS:							
2006 Annual Spa Visits – Average	7,353	9,790	6,763	6,749	5,918	13,200	10,918
2006 Annual Spa Visits – Median	3,900	5,350	4,680	3,744	3,207	7,500	1,872
Anticipated 2007 Spa Visits – Average	7,654	N/A	5,814	6,845	7,711	14,903	9,108
Anticipated 2007 Spa Visits – Median	5,000	N/A	4,680	4,000	5,689	9,000	800
Average Daily Clients – Average	23	N/A	20	22	20	37	21
Average Daily Clients – Median	14	N/A	15	14	12	21	5
% Visits by New Clients – Average	39%	N/A	33%	37%	40%	55%	63%
% Visits by Male Clients – Average	21%	N/A	29%	20%	22%	26%	25%
EMPLOYMENT:							
Full-time Employees – Average	8.0	9.1	8.8	7.0	5.1	18.6	14.3
Full-time Employees – Median	5	4	6	4	3	10	4
Part-time Employees – Average	5.0	7.4	12.5	3.8	5.0	13.3	8.9
Part-time Employees – Median	3	3	8	2	3	7	3
Contract Employees – Average	2.9	3.0	4.0	2.8	2.6	3.5	5.4
Contract Employees – Median	0	0	0	0	0	0	3
% of Revenue to Payroll – Average	40.1%	43%	47.6%	39.5%	37.2%	44.4%	46.4%
% of Revenue to Payroll – Median	45%	N/A	60%	45%	40%	47%	50%
SPA SPACE:							
Locations – Average	1.6	N/A	2.9	1.4	1.6	2.7	1.2
Locations – Median	1	N/A	1	1	1	1	1
Indoor Square Footage – Average	3,843	3,630	5,342	2,969	3,493	10,830	10,098
Indoor Square Footage – Median	2,100	2,400	3,200	2,000	2,600	7,000	3,000
AVERAGE PRICES:							
Average Price/Service	\$79	N/A	\$79	\$73	\$114	\$110	\$89
Average Price/Massage	\$77	N/A	\$83	\$73	\$76	\$110	\$87
Average Price/Facial	\$80	N/A	\$87	\$75	\$92	\$112	\$85
REVENUE RATIOS:							
Revenue Per Sq. Ft. – Average	\$165	\$207	\$146	\$163	\$190	\$180	\$91
Revenue Per Sq. Ft. – Median	\$109	N/A	\$100	\$109	\$143	\$104	\$57
Treatment Rev. Per Sq. Ft. – Average	\$234	N/A	\$221	\$230	\$215	\$304	N/A
Treatment Rev. Per Sq. Ft. – Median	\$154	N/A	\$144	\$150	\$162	\$193	N/A
Salon Revenue Per Sq. Ft. – Average	\$199	N/A	N/A	\$198	N/A	\$220	N/A
Salon Revenue Per Sq. Ft. – Median	\$143	N/A	N/A	\$143	N/A	\$129	N/A
Treatment Rev. Per Room – Average	\$47,738	N/A	\$51,785	\$42,233	\$58,050	\$79,474	N/A
Treatment Rev. Per Room – Median	\$33,333	N/A	\$42,500	\$29,750	\$41,771	\$66,176	N/A
Salon Rev. Per Station – Average	\$28,282	N/A	N/A	\$25,988	N/A	\$42,699	N/A
Salon Rev. Per Station – Median	\$17,500	N/A	N/A	\$16,667	N/A	\$30,467	N/A
Revenue Per Visit – Average	\$97	\$85	\$72	\$81	\$231	\$136	\$266
Revenue Per Visit – Median	\$70	N/A	\$51	\$69	\$100	\$92	\$130
Revenue Per Employee – Average	\$31,492	N/A	\$19,146	\$30,782	\$37,721	\$37,810	\$31,232
Revenue Per Employee – Median	\$25,000	N/A	\$18,571	\$25,000	\$30,909	\$27,487	\$25,000
Avg. Retail Spend Per Visit – Average	\$48	N/A	\$42	\$45	\$78	\$44	\$54

Notes: Averages represent the average values for the given item while medians represent the midpoint (i.e., 50% of responses fall below the median and 50% are above the median).

Interpret spa type segment results with caution due to small sample sizes.

†Other type of spa includes mineral springs spas and destination spas.

Treatment revenue per square foot and treatment room is based on treatment revenue and space only.

Salon revenue per square foot and station is based on salon revenue and space only.

***Source: ISPA 2006 Spa Industry Statistics.

The following summarizes the key differences between spa types (only significant differences are reported):

- *Club Spa:* Locker rooms (71%); educational programs and workshops (56%); mind, body and spirit programs (39%); and fitness or sport services (37%) are all more common at club spas than other spa types. Given that they tend to be located on member-based properties, it is not surprising that club spas are more likely than other spa types to target members. However, only a handful (14%) do so exclusively. Club spas are among the least likely to report that they apply environmentally sustainable practices (60%). Given that club spas report a lower than average revenue (\$481,000) and higher than average number of employees (25.3), it is not surprising they have the lowest revenue per employee (\$19,100). They are also less likely than others to offer salon services (61%)
- *Day Spa:* Given that day spas represent four out of five spas, it is not surprising that they typify the industry in many ways. There are, however, a few areas where they are different. Day spas are the least likely to be open seven days per week (22%). Day spas are the smallest in terms of average square footage (3,000) and tend to be among the lower revenue generators in the industry (average revenue of \$446,000). Average prices (\$73) and revenue per visit (\$81) are also among the lowest in the industry.
- *Medical Spa:* The qualification of being a medical spa is that they are located in a medical practice or have medical personnel on staff, not that they offer medical spa services. For example, a spa located in a plastic surgeon's office (a medical facility) to help patients recuperate may or may not offer medical spa services such as Botox or microdermabrasion. So while medical spas are far and away the most likely to offer medical treatments (68%), not all of them do. The probable reason is that some of these spas are located in a medical practice, but do not administer the medical treatments themselves. Medical spas are among the least likely to offer salon services (53%), to be open seven days a week (25%), or to apply environmentally sustainable practices (62%). Medical spas generated higher than average revenues at \$1.1 million in 2006 with an above average profit margin of 27.6%. Interestingly, medical spas also report the highest average retail revenue per visit (\$78) of all spa types.
- *Resort/Hotel Spa:* Resort/hotel spas are the most likely to be located in the South West region (38%). Conversely, they are among the least likely to be located in the North East (17%) or North Central regions (7%). Resort/hotel spas are by far the most likely to be owned by a major corporation (27%). Dedicated relaxation areas (80%), dedicated wet areas (74%) and locker rooms (74%) are more common at resort/hotel spas than other types of spas. They are also more likely than others to offer mind, body and spirit programs (46%) and fitness or sport services (58%). Not surprisingly, these spas are also more likely to offer lodging (79%) and restaurant services (61%) through the spa. It should be noted that to qualify as a resort/hotel spa, the spa must be located on or within a resort or hotel. While the properties on which these spas are located all offer accommodations, it is not necessarily a service that is offered directly through or in conjunction with the spa itself. Most (91%) are open seven days per

week. In general, resort/hotel spas can be characterized as being larger in size and having more service offerings than other segments. More specifically, the resort/hotel spa segment has one of the highest average revenues (\$1.7 million), the most visits – both overall (13,200) and per day (37) – and the most employees (35.4). They are also physically bigger (10,800 square feet) than other spa types. Resort/hotel spas have among the highest average prices per service (\$110 overall). They also have higher average revenue ratios than other spa types for treatment revenue per square foot (\$304), treatment revenue per treatment room (\$79,500) and revenue per employee (\$37,800).

Note: Destination spas, mineral springs spas and cruise ship spas are not discussed due to small sample sizes.

V. PRODUCT AND SERVICE OFFERINGS

This chapter looks at the product/service offerings of spas in the United States. The first section provides an overview of the services offered and how space and revenue are allocated among different services in the spa industry. The remainder of the chapter examines each key service in greater detail.

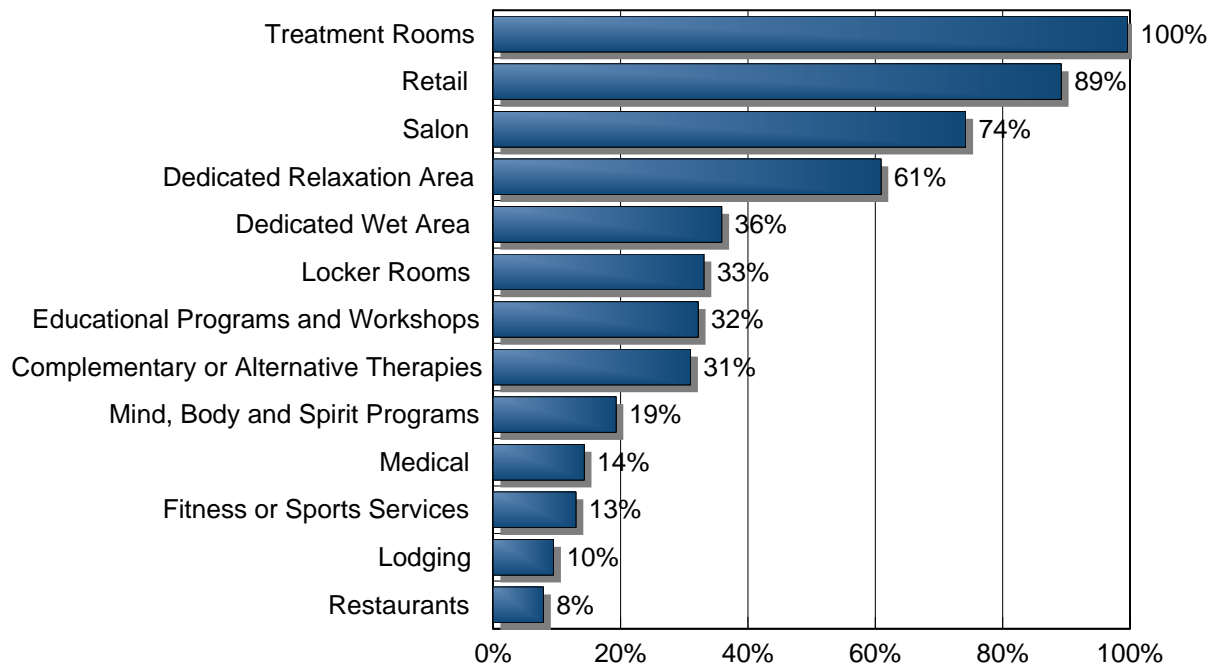
New to this year’s study, respondents were asked to provide more detail on the specific services they offered in key areas. When available, findings on specific service offerings are presented throughout this chapter.

Product and Service Offerings Overview

What Products/Services Are Spas Offering?

Treatment room services, which comprise the industry’s core services, are not surprisingly the top service area offered with all spas (100%) offering at least one service in this category. Clearly this is the staple offering for the industry. As seen in prior spa industry research, two other services rank as “bread and butter” offerings for the spa industry: nine in 10 (89%) spas offer a retail component while three-quarters (74%) offer salon services. A summary of products and services offered in the spa industry is presented in **Exhibit 5-1**.

EXHIBIT 5-1 — PRODUCTS/SERVICES OFFERED



Next on the list of revenue-generating spa components or services are dedicated wet areas (36%), educational programs or workshops (32%) and complementary or alternative therapies (31%). While fairly common, these products are offered by only one-third of spas and are far from being core services. The third level of services, offered by less than one-fifth of spas, includes mind, body and spirit programs (19%); medical (14%); and fitness or sport services (13%).

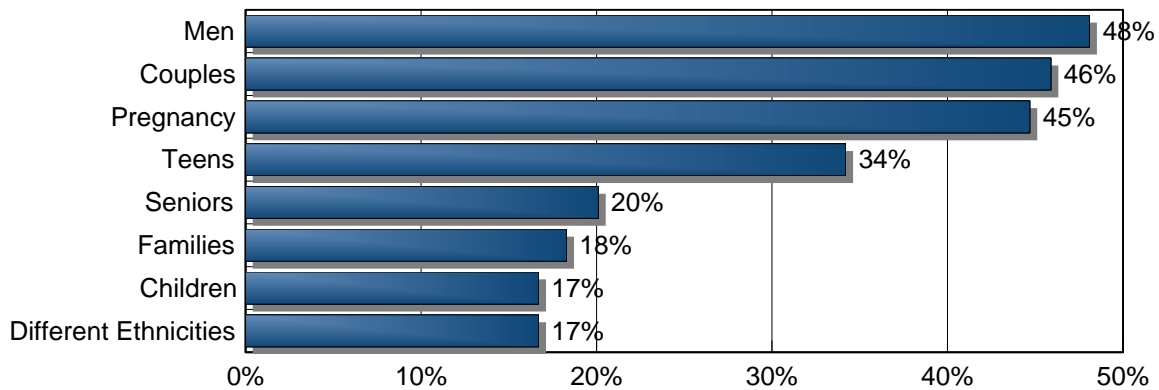
The least common service offerings are lodging (10%) and restaurant (8%) services. It should be noted that while a number of spas reported that their properties offer these two services, only a handful included them in the space and revenue figures they reported. For lodging, it was only destination spas that were instructed to include it.

A look back at the three previous industry studies reveals that despite a rapidly expanding number of spas, the product/service mix of the U.S. industry has changed very little over the last seven years. In fact, the three notable areas of change are the three areas that were most affected by changes to the questionnaire in the current study. Specifically, while salon services saw an increase from 58% in 2004 to 74% in 2007, the questionnaire in the current study was restructured to make it easier for respondents to know which services belong in the salon category. Accordingly, it is difficult to determine if the increase is a true change or if it is the result of a change to the methodology. Similarly, there were declines in the portion of spas offering lodging and restaurant services. However, changes were made to the questionnaire to specifically exclude these services unless they were truly part of the spa. The results for other services (which were generally unchanged) were unaffected by the methodological changes.

Also included in the product/service list are two non-revenue generating spa components – relaxation areas and locker rooms. Consistent with the 2004 study, almost two-thirds (61%) of spas offer a dedicated relaxation area. Given that it is a key element in creating the calming atmosphere for which spas are known, it is not surprising that a significant portion of spas are offering these types of spaces. Locker rooms are considerably less popular with only one-third (33%) of spas offering them. For locker rooms, this represents a decline in popularity since the 2004 study where 45% of spas reported having them. The result suggests a decline in the number of new spas incorporating this component into its space, though this varies by spa type.

In addition to the broad service areas, spas were asked to indicate which, if any, of a select list of specialized packages they offered. Their responses are summarized in **Exhibit 5-2**. Seventy percent (70%) of spas indicated that they offered at least one of the eight package types surveyed. With the ongoing efforts of spas to increase the number of men coming through their doors, it is not surprising that almost half (48%) of spas offer packages catered to this group. Other packages that top the list include those targeted to couples (46%) and pregnant women (45%). Packages catered to teens are also fairly common with one-third (34%) of spas offering them. Roughly one in five (17% to 20%) spas offer each of the other four packages tested – seniors, families, children and different ethnicities.

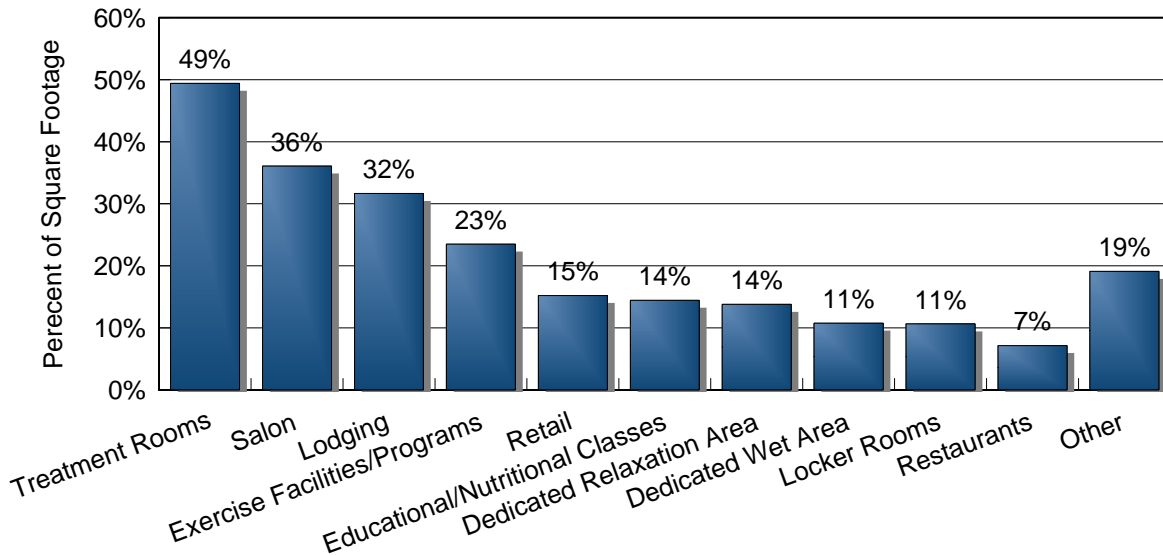
EXHIBIT 5-2 — PACKAGES OFFERED



How Is Indoor Space Used?

A summary of space allocations among those who offer each service is presented in **Exhibit 5-3**. Given that it is the area where the industry’s core services are offered, it is not surprising that on average, treatment rooms account for half (49%) of a spa’s space. At 36%, salon services are the second most significant occupier of space when offered, followed by lodging (32%) and exercise programs and facilities (23%). The smallest component, when offered is restaurants at only 7% of space. Other service areas, when offered, occupy between 11% and 15% of space. Compared to the 2004 study, treatment rooms are up by 8 percentage points from 41% while lodging is down considerably from 47%. This change may be in part due to a change in the 2007 questionnaire that in most cases asked respondents to exclude lodging from space and revenue estimates.

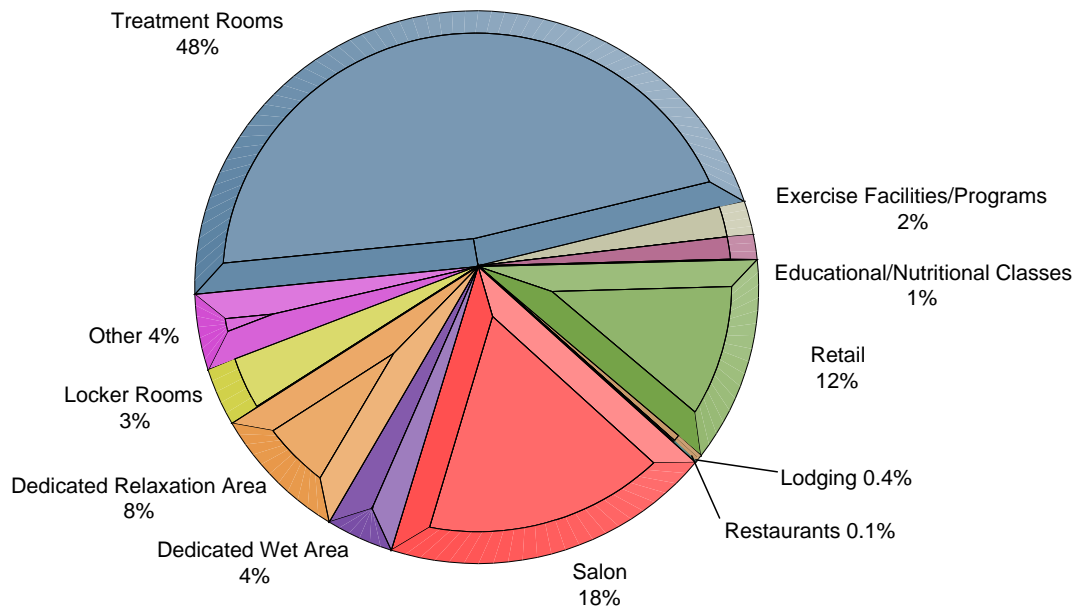
EXHIBIT 5-3 — PERCENTAGE OF INDOOR SPACE USED BY SERVICE OFFERING



Note: Base is those who offer each product/service.

Exhibit 5-4 examines, on average, how space is utilized in the industry as a whole. Again, treatment rooms are on top, accounting for an average of almost half (48%) of all spa space. Salon space is next at 18% followed by retail space at 12%. In other words, almost four-fifths (78%) of spa space is allocated to the primary service offerings. Non-revenue generating areas such as dedicated relaxation areas (8%) and locker rooms (3%) account for a further 11% of space. Compared to the 2004 study, there has been some shifting, primarily to treatment room space (39% in 2004). This is primarily a result of changes to the questionnaire that focused on having spas report only space and revenue that are specifically part of the spa. This means that much of the lodging, restaurant and exercise space that had previously been included is now excluded in order to provide a purer measure of the spa industry.

EXHIBIT 5-4 — AVERAGE PERCENTAGE OF INDOOR SPACE USED FOR ENTIRE INDUSTRY



Space Allocation by Spa Type						
	Club Spa*	Day Spa	Medical Spa*	Resort/Hotel Spa	Other*†	
Treatment Rooms	35%	47%	62%	48%	36%	
Salon	8%	20%	5%	7%	5%	
Dedicated Wet Area	9%	3%	2%	8%	14%	
Exercise Facilities/Programs	16%	1%	0%	10%	9%	
Educational/Nutritional Classes	2%	2%	1%	1%	3%	
Lodging	3%	0%	0%	1%	10%	
Restaurants	0%	0%	0%	1%	2%	
Retail	10%	12%	15%	6%	4%	
Dedicated Relaxation Area	7%	8%	7%	8%	6%	
Locker Rooms	10%	2%	4%	9%	1%	
Other	1%	5%	4%	2%	10%	

Notes: * Interpret results with caution due to small sample sizes.
 †Other types of spas include mineral springs spas and destination spas.

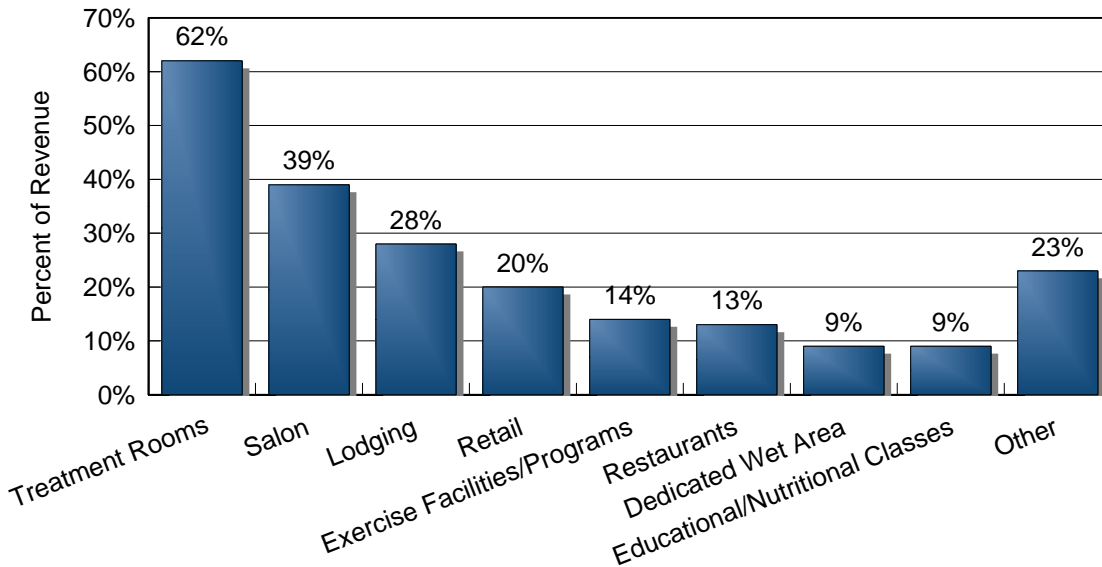
The exhibit also presents a distribution of industry space for different spa types. Club spas are far less heavily weighted to treatment rooms than other segments. Not surprisingly, club spas allocate a significantly higher than average portion of space to exercise programs/facilities. Resort/hotel spas also have a higher than average share of space allocated to exercise programs/facilities, but less to retail. At 20% of space, day spas have the highest allocation of space to salon services.

Where Is the Money Made?

Treatment rooms continue to be the most significant contributor to revenue among spas that offer them. Treatment rooms account on average for almost two-thirds (62%) of a spa’s total revenue.

Exhibit 5-5 shows the percentage of revenues allocated to each of the different product offerings among those who offer the product. Salon is the second-largest contributor, averaging 39% of revenues among those who offer it. Not too far behind is lodging at 28% and retail at 20%. There have been some shifts from 2004 (particularly the increase in treatment rooms and the decrease in lodging); however, these changes are again primarily due to changes to the survey to exclude most lodging revenue.

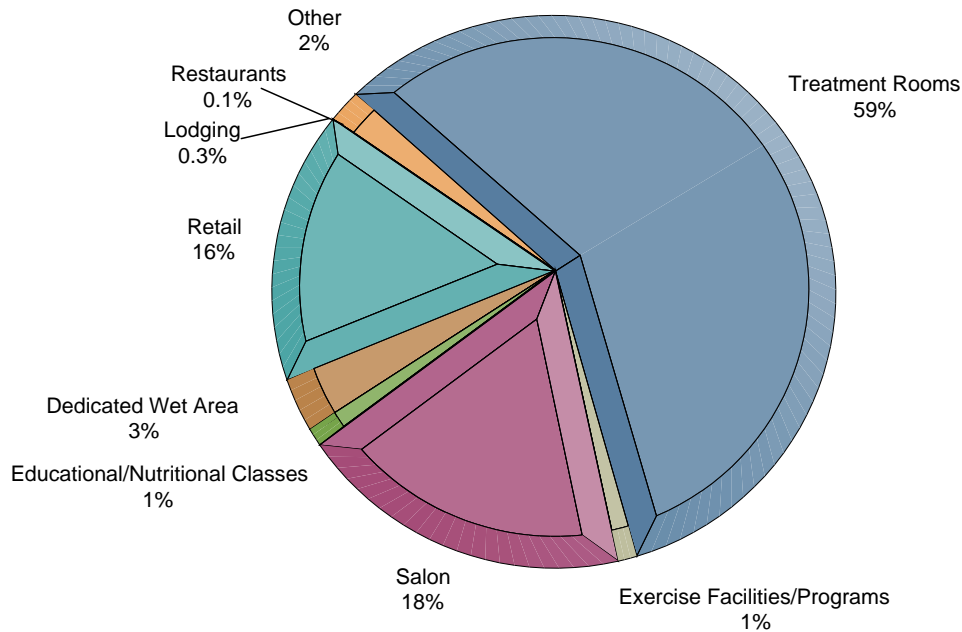
EXHIBIT 5-5 — PERCENTAGE OF REVENUE BY SERVICE OFFERING



Note: Base is those who offer each product/service.

Exhibit 5-6 shows, on average, how revenues are divided among the different product/service offerings for the overall industry. On average, an overwhelming 93% of a spa's revenue is generated from the three top service offerings with treatment rooms leading the way at 59%. Salon is second at 18% of revenues followed closely by retail at 16%. Overall, the distribution of revenues is similar to that from 2004, with the exception of the shifts caused by the exclusion of lodging, restaurant and exercise facility revenues (except where appropriate to include them).

EXHIBIT 5-6 — AVERAGE PERCENTAGE OF REVENUES FOR ENTIRE INDUSTRY



	Revenue Allocation by Spa Type				
	Club Spa*	Day Spa	Medical Spa*	Resort/Hotel Spa	Other*†
Treatment Rooms	52%	57%	75%	68%	68%
Salon	13%	20%	4%	11%	2%
Dedicated Wet Area	5%	2%	1%	3%	15%
Exercise Facilities/Programs	16%	0%	0%	4%	3%
Educational/Nutritional Classes	0%	1%	1%	1%	3%
Lodging	0%	0%	0%	2%	3%
Restaurants	0%	0%	0%	1%	1%
Retail	12%	17%	16%	8%	5%
Other	1%	3%	2%	1%	0%

Notes: * Interpret results with caution due to small sample sizes.
 †Other type of spa includes mineral springs spas and destination spas.

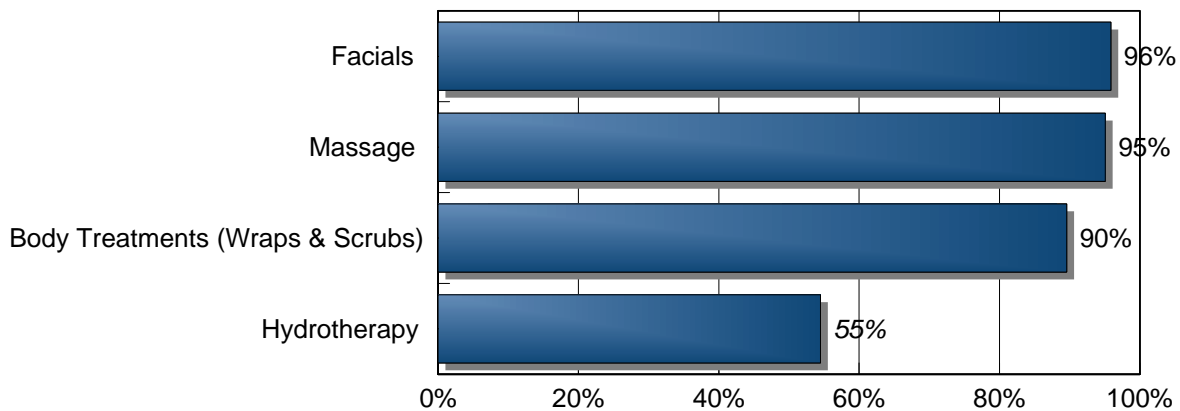
The average distribution of industry revenue for different spa types is also shown in the previous exhibit and suggests that the day spa sector receives a greater portion of its revenues from salon services and retail than do other sectors. Medical spas also receive a greater portion of revenue from

retail than do other spa types. As expected, exercise facilities/programs are a key revenue generator for club spas compared to other segments.

Treatment Room Service Offerings

As mentioned in the previous section, virtually all (99.6%) spas have treatment rooms, which is not surprising given the nature of the industry’s core service offerings. **Exhibit 5-7** shows the portion of spas offering services in each of the core treatment room service areas. It should be noted that these service areas are used as the primary criteria for qualifying businesses as a spa for the purposes of this study. Specifically, all spas must offer at least one of the three core services and, with few exceptions, most must offer at least two of them. All but approximately 5% qualify as a spa by offering at least two of these core services. The remaining 5% qualified as a spa based on the other spa-related services they offered and the share of revenues derived from the core spa services.

EXHIBIT 5-7 — TREATMENT ROOM SERVICES OFFERED



Treatments Room Services Offered by Spa Type					
	Club Spa*	Day Spa	Medical Spa*	Resort/Hotel Spa	Other*†
Facials	89%	97%	88%	96%	61%
Massage	97%	96%	78%	99%	91%
Body Treatments (Wraps & Scrubs)	82%	90%	82%	96%	53%
Hydrotherapy	51%	53%	53%	68%	87%

Notes: * Interpret results with caution due to small sample sizes.
 †Other type of spa includes mineral springs spas and destination spas.

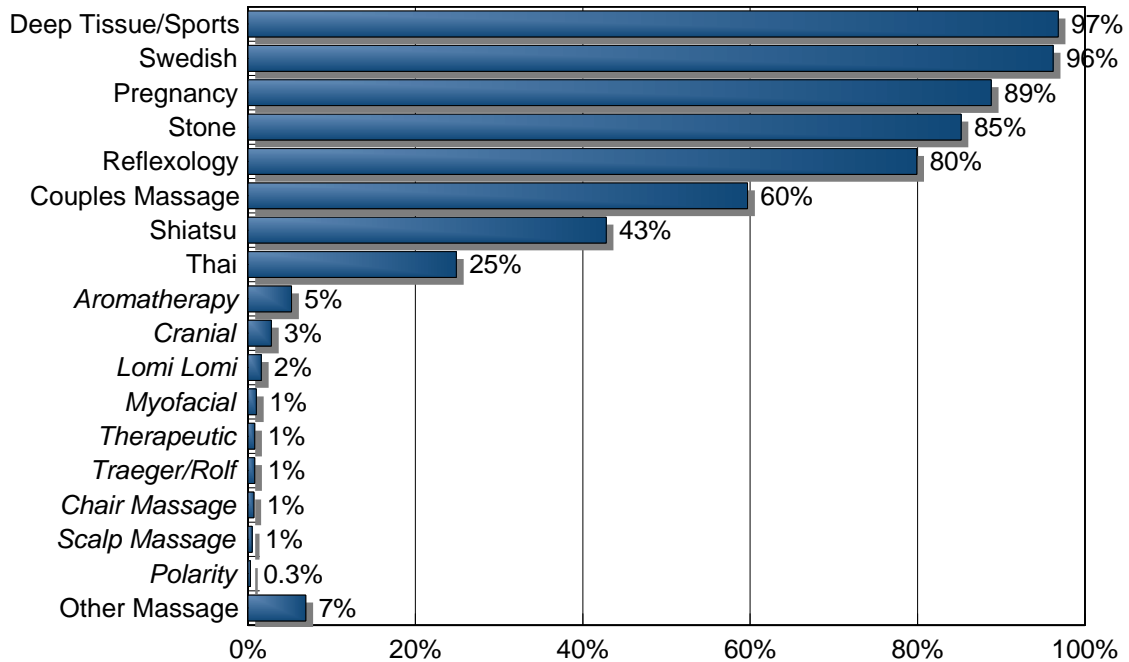
Almost all spas offer facials (96%) and massages (95%). As seen in previous studies, these continue to be the primary services of the industry. With 90% of spas offering them, body treatments (wraps and scrubs) are also a staple of the industry. Hydrotherapy treatments, while also a core service, are only offered by 55% of spas. Compared to the 2004 study, the portion of spas offering hydrotherapy treatments appears to be down from 65%, suggesting that newer spas are less likely to offer this service. The findings for body treatments cannot be directly compared to previous studies as they were specifically listed on the survey for the current study whereas in the past the services were reported as an unprompted response.

While not shown in an exhibit, it should be noted that for body treatments, 84% of spas offer scrubs while 82% offer wraps. Both of these services are most commonly provided at resort/hotel spas.

The exhibit also shows the four treatment areas by spa type. Day spas and resort/hotel spas are more likely than other spa types to offer massage and body treatments. Massages are also more common at club spas. Hydrotherapy services are most common in resort/hotel spas and in “other” spas.

A summary of the specific types of massage offered is presented in **Exhibit 5-8**. Among those offering massage services, almost all offer deep tissue/sports massage (97%) and Swedish massage (96%). Other core massage offerings include pregnancy (89%), stone (85%) and reflexology (80%). With so many spas offering these types of massages, these are not differentiators; rather, they are almost mandatory offerings in the spa industry. On the other hand, Thai massage (offered by 25%) and to a lesser extent shiatsu massage (43%) are niche offerings that help set those who offer them apart from other spas. Items in italics were mentioned as “other types” of massage on an unprompted basis. Accordingly, their popularity cannot be directly compared to other massage offerings. For informational purposes, the exhibit also presents massage offerings for the different spa types.

EXHIBIT 5-8 — MASSAGE SERVICES OFFERED



Items in italics were mentioned unprompted.

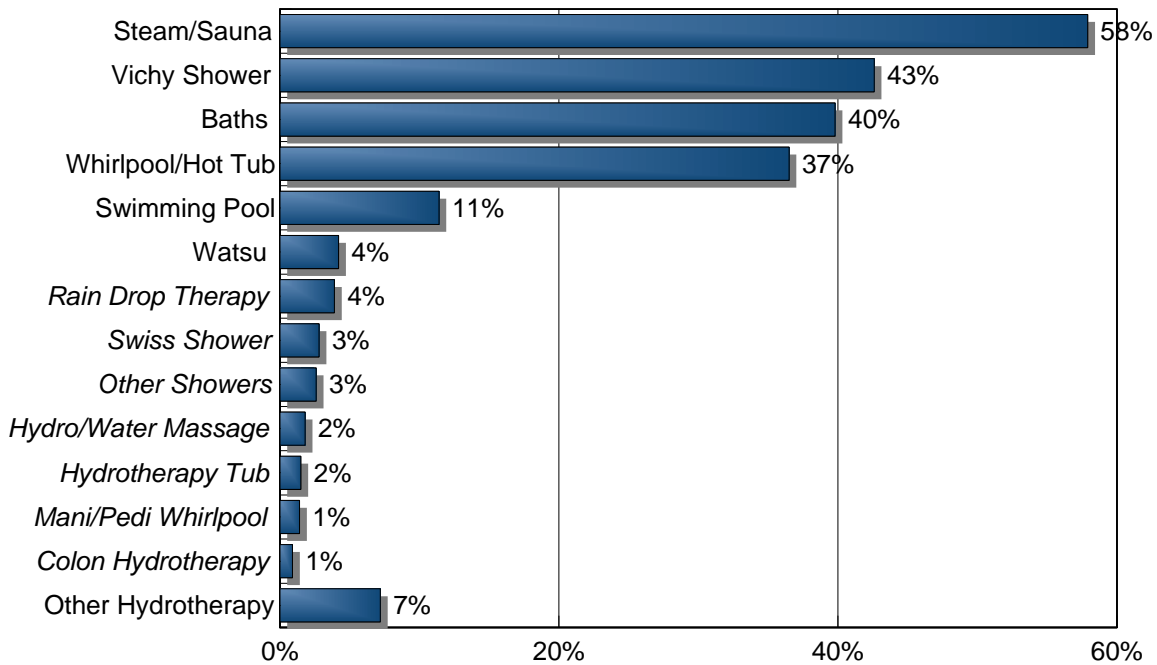
Massage Services Offered by Spa Type

	<i>Club Spa*</i>	<i>Day Spa</i>	<i>Medical Spa*</i>	<i>Resort/Hotel Spa</i>	<i>Other*†</i>
Deep Tissue/Sports	98%	97%	100%	97%	88%
Swedish	100%	96%	100%	98%	100%
Pregnancy	93%	87%	94%	96%	88%
Stone	93%	84%	88%	93%	86%
Reflexology	76%	79%	84%	83%	83%
Couples Massage	58%	56%	68%	85%	89%
Shiatsu	47%	42%	47%	49%	44%
Thai	49%	22%	24%	37%	45%

Notes: * Interpret results with caution due to small sample sizes.
 †Other type of spa includes mineral springs spas and destination spas.
 Base is those who offer massage services.

Among the 55% of spas offering hydrotherapy services, steam/sauna is by far the most popular with 58% offering it. A second tier of hydrotherapy services include Vichy showers (43%), baths (40%) and whirlpool/hot tub (37%). **Exhibit 5-9**, which presents these findings, also provides other hydrotherapy treatments that were mentioned as unprompted responses. A summary of hydrotherapy services by spa type is also presented for informational purposes.

EXHIBIT 5-9 — HYDROTHERAPY SERVICES OFFERED



Items in italics were mentioned unprompted.

Hydrotherapy Services Offered by Spa Type					
	Club Spa*	Day Spa	Medical Spa*	Resort/Hotel Spa	Other*†
Steam/Sauna	87%	53%	60%	80%	72%
Vichy Shower	36%	37%	76%	62%	47%
Baths	31%	34%	67%	60%	54%
Whirlpool/Hot Tub	46%	30%	26%	73%	57%
Swimming Pool	27%	3%	15%	49%	48%
Watsu	14%	3%	0%	11%	16%

Notes: * Interpret results with caution due to small sample sizes.
 †Other type of spa includes mineral springs spas and destination spas.
 Base is those who offer hydrotherapy services.

The typical U.S. spa comprises between five and six treatment rooms in total. Of these, an average of 3.2 rooms are used for massage, 2.4 for body treatments, 2.3 for facials, 1.5 for hydrotherapy/wet treatments and 1.9 for other treatments. It should be noted that the number of treatment rooms by service sums to more than the total reported treatment rooms because one room can be used for more than one service. These responses are summarized in **Exhibit 5-10**.

EXHIBIT 5-10 — NUMBER OF TREATMENT ROOMS BY TREATMENT TYPE

	<i>Total</i>	<i>Club Spa*</i>	<i>Day Spa</i>	<i>Medical Spa*</i>	<i>Resort/Hotel Spa</i>	<i>Other*†</i>
Total Rooms	5.5	5.2	4.8	6.3	10.1	7.4
Massage	3.2	3.9	2.8	3.1	7.0	6.9
Hydrotherapy/Wet Treatments	1.5	1.2	1.4	1.6	2.0	2.2
Facials	2.3	1.9	2.2	2.5	3.2	2.7
Body Treatments	2.4	2.4	2.2	2.1	4.5	3.4
Other	1.9	1.2	1.9	2.6	1.6	2.7

Notes: * Interpret results with caution due to small sample sizes.

†Other type of spa includes mineral springs spas and destination spas.

Base is those who offer treatment rooms.

The number of rooms for specific services do not sum to the total as one room may be used for more than one service.

Looking at the results by spa type reveals that the largest spas in terms of the number of treatment rooms tend to be resort/hotel spas, which is not surprising given that they represent a disproportionately high share of industry space. Spas in the “other” category, which includes destination spas and mineral springs spas, also tend to have a greater number of treatment rooms on average. These results hold true for both treatment rooms overall as well as for individual services. Day spas on the other hand tend to have fewer treatment rooms, both overall and for massage, when compared to other segments.

As presented in **Exhibit 5-11**, spas charge an average of almost \$79 per treatment room service, up from \$72 in 2004. Average prices specifically for massage (\$77) and facials (\$80) do not stray far from the overall service average. These are up from \$73 and \$77, respectively, from 2004. An analysis of the different spa types reveals that resort/hotel spas are generally the most expensive with average overall service prices and specific service prices around the \$110 mark. At \$114 for services on average, medical spas are also near the top of the price scale. Not surprisingly, prices are lowest (\$73 to \$75) at day spas where competition for clients is fiercest.

EXHIBIT 5-11 — AVERAGE PRICE PER SERVICE BY TREATMENT TYPE

	<i>Total</i>	<i>Club Spa*</i>	<i>Day Spa</i>	<i>Medical Spa*</i>	<i>Resort/Hotel Spa</i>	<i>Other*†</i>
Treatment Room Service	\$78.93	\$79.46	\$72.73	\$113.54	\$110.13	\$89.18
Massage	\$77.41	\$82.77	\$73.21	\$76.10	\$109.82	\$86.66
Facials	\$80.09	\$87.06	\$75.26	\$92.12	\$111.94	\$84.74

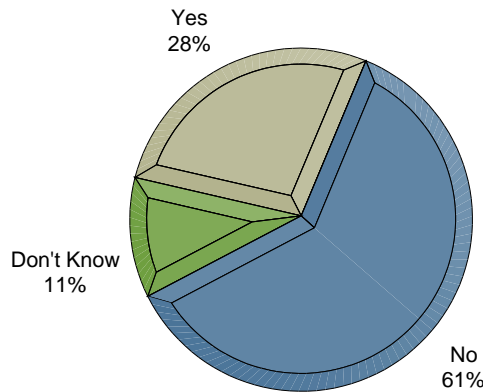
Notes: * Interpret results with caution due to small sample sizes.

†Other type of spa includes mineral springs spas and destination spas.

Base is those who offer service.

A new question in this year’s survey asked spas to indicate if they offered any local or indigenous treatments on their spa menu. As seen in **Exhibit 5-12**, just more than one-quarter (28%) indicated that they do offer these types of products. Given that they cater to the tourist market, it is not surprising that local/indigenous spa treatments are most common at resort/hotel spas (61%). Club spas (17%) are the least likely to offer this type of service.

EXHIBIT 5-12 — OFFER LOCAL/INDIGENOUS TREATMENTS



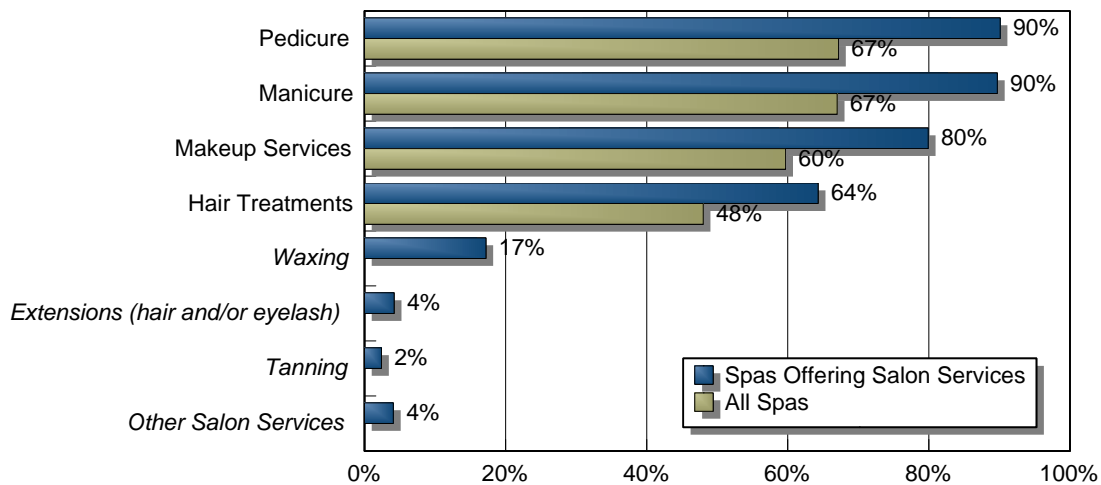
Offer Local/Indigenous Treatments By Spa Type					
	Club Spa*	Day Spa	Medical Spa*	Resort/Hotel Spa	Other*†
Yes	17%	24%	30%	61%	47%
No	73%	63%	65%	34%	52%
Don't Know	10%	13%	5%	5%	1%

Notes: * Interpret results with caution due to small sample sizes.
 †Other type of spa includes mineral springs spas and destination spas.

Salon Service Offerings

As indicated at the beginning of this chapter, three-quarters (74%) of U.S. spas offer salon services. More detail on the specific salon services offered is presented in **Exhibit 5-13**. The results discussed in this section relate only to those that offer salon services. However, for informational purposes, the exhibit also shows how the results apply to the entire industry (e.g., 90% of spas with salon services offer pedicures, which translates to 67% of all spas offering pedicures).

EXHIBIT 5-13 — SALON SERVICES OFFERED



Items in italics were mentioned unprompted.

Salon Services Offered by Spa Type					
	Club Spa*	Day Spa	Medical Spa*	Resort/Hotel Spa	Other*†
Among Spas Offering Salon Services					
Pedicure	84%	91%	73%	96%	N/A
Manicure	84%	91%	68%	95%	N/A
Makeup Services	65%	82%	80%	71%	N/A
Hair Treatments	49%	67%	33%	63%	N/A
Among All Spas					
Pedicure	51%	70%	38%	71%	21%
Manicure	51%	70%	36%	71%	21%
Makeup Services	40%	63%	42%	53%	20%
Hair Treatments	30%	52%	17%	47%	20%

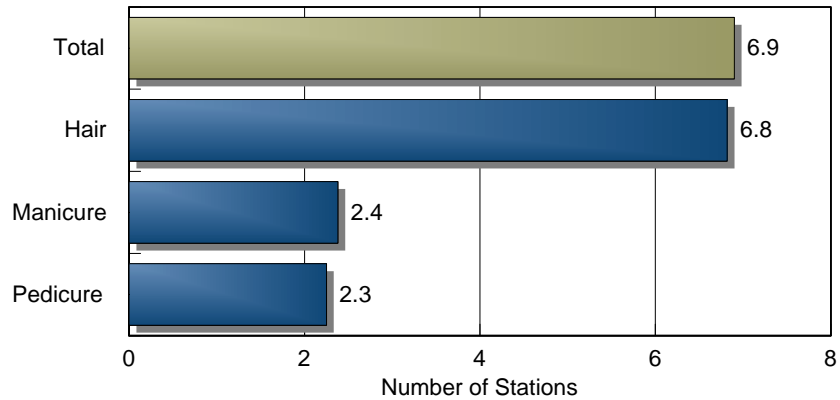
Notes: * Interpret results with caution due to small sample sizes.
 † Other type of spa includes mineral springs spas and destination spas.

Pedicures and manicures are clearly the top salon service with 90% of those with salon services offering them. In other words, if a spa is going to offer salon services, pedicures and manicures are a must. At 80%, makeup services are also very popular. Hair treatments are offered by two-thirds (64%) of those with salon services. The other services listed in the exhibit in italics were unprompted

responses. Interestingly, waxing was an unprompted service mentioned by 17% of those with salon services. A summary of salon services by spa type is also presented for informational purposes.

The 74% of respondents who offer salon services were asked how many stations they have for each specific service offering. The averages among those offering each salon service are illustrated in **Exhibit 5-14**. On average, those offering services have almost seven salon stations in which to provide services. When offered, hair stations are the main component of the salon, taking up an average of 6.8 stations per spa. Manicures (2.4 stations) and pedicures (2.3) take up considerably fewer stations when offered.

EXHIBIT 5-14 — NUMBER OF SALON STATIONS PER SERVICE AMONG THOSE WHO OFFER EACH SERVICE

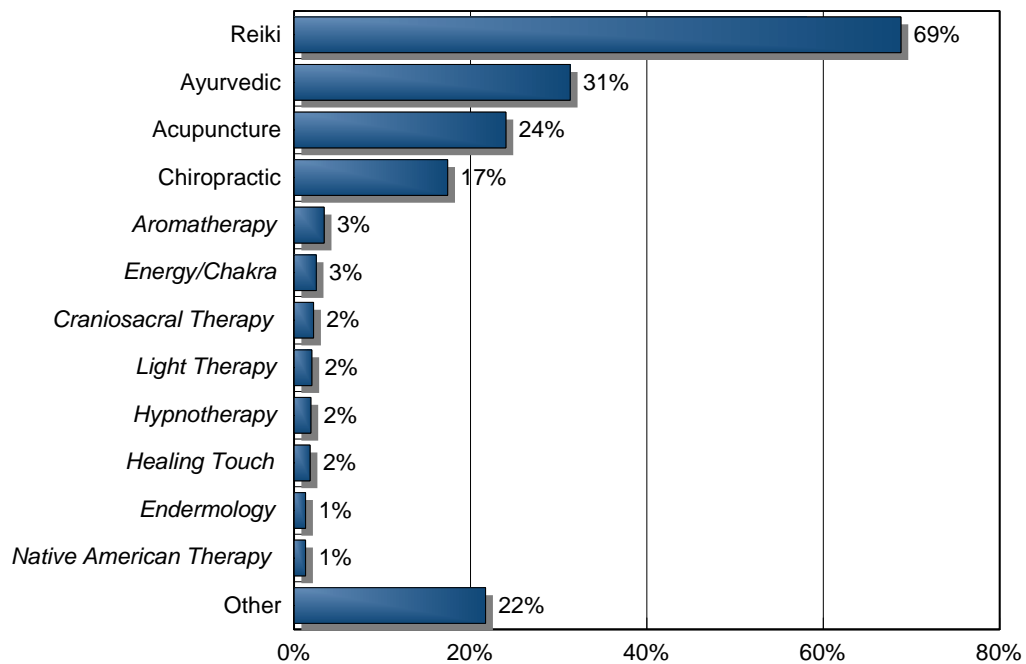


Note: Base is those who offer each salon service.

Complementary or Alternative Therapies Offered

The tracking of complementary or alternative therapies is a new addition to this year’s industry study. Specific complementary or alternative therapies are offered by 31% of U.S. spas. These types of services are summarized in **Exhibit 5-15**. Results point to Reiki as the top complementary/alternative therapy by a wide margin. More than two-thirds (69%) of those offering these types of services offer Reiki. Ayurvedic (31%), acupuncture (24%) and chiropractic (17%) are also fairly popular, but are much further down the list. For informational purposes, unprompted mentions of services (in *italics*) and results by spa type are also presented.

EXHIBIT 5-15 — COMPLEMENTARY OR ALTERNATIVE THERAPIES OFFERED



Items in italics were mentioned unprompted.

Complementary or Alternative Therapies Offered by Spa Type

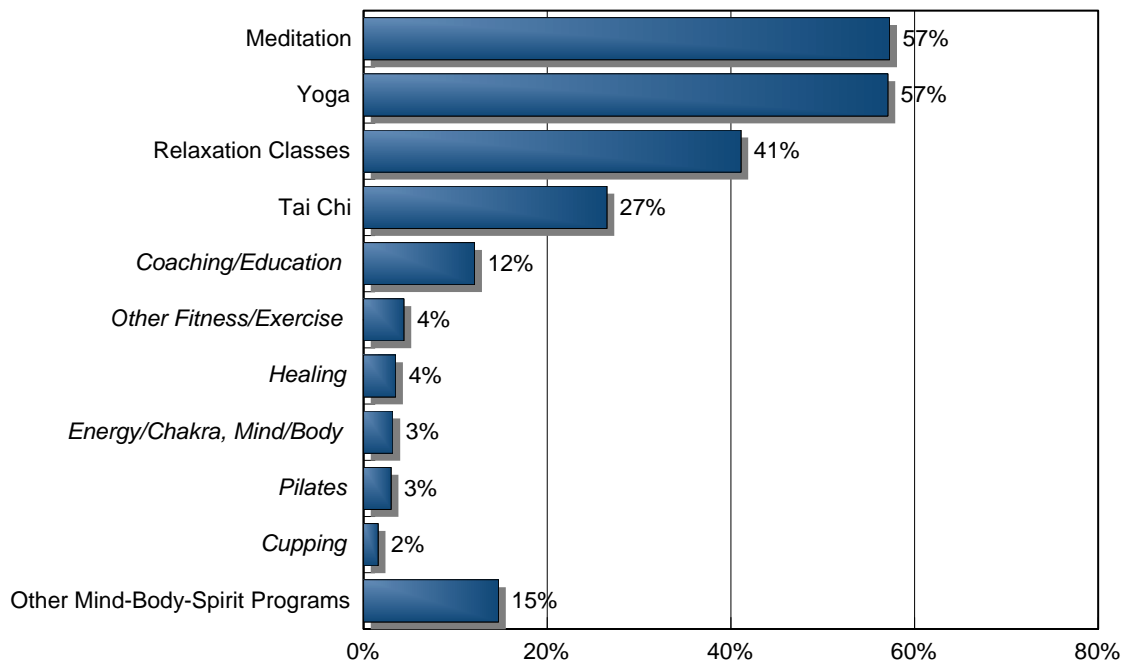
	Club Spa*	Day Spa	Medical Spa*	Resort/Hotel Spa	Other*†
Reiki	60%	72%	51%	59%	73%
Ayurvedic	22%	29%	38%	45%	32%
Acupuncture	31%	22%	30%	28%	48%
Chiropractic	22%	14%	43%	25%	26%

Notes: * Interpret results with caution due to small sample sizes.
 †Other type of spa includes mineral springs spas and destination spas.
 Base is those who offer complementary or alternative therapies.

Mind, Body and Spirit Programs Offered

Another service area to be specifically tracked in this year’s study is mind, body and spirit programs. Though these services have been tracked in the past, they have always been grouped under other broader service categories. As indicated earlier, these types of services are offered by 19% of spas. A summary of specific services offered is presented in **Exhibit 5-16**. According to the survey results, meditation and yoga top the list of mind, body and spirit programs and are the core offering in this service group. They are both offered by 57% of those offering these types of services. At 41%, relaxation classes are also quite popular, followed distantly by Tai Chi at 27%. Again, unprompted service mentions (in italics) and results by spa type are presented for informational purposes.

EXHIBIT 5-16 — MIND, BODY AND SPIRIT PROGRAMS OFFERED



Items in italics were mentioned unprompted.

Mind, Body and Spirit Programs Offered by Spa Type

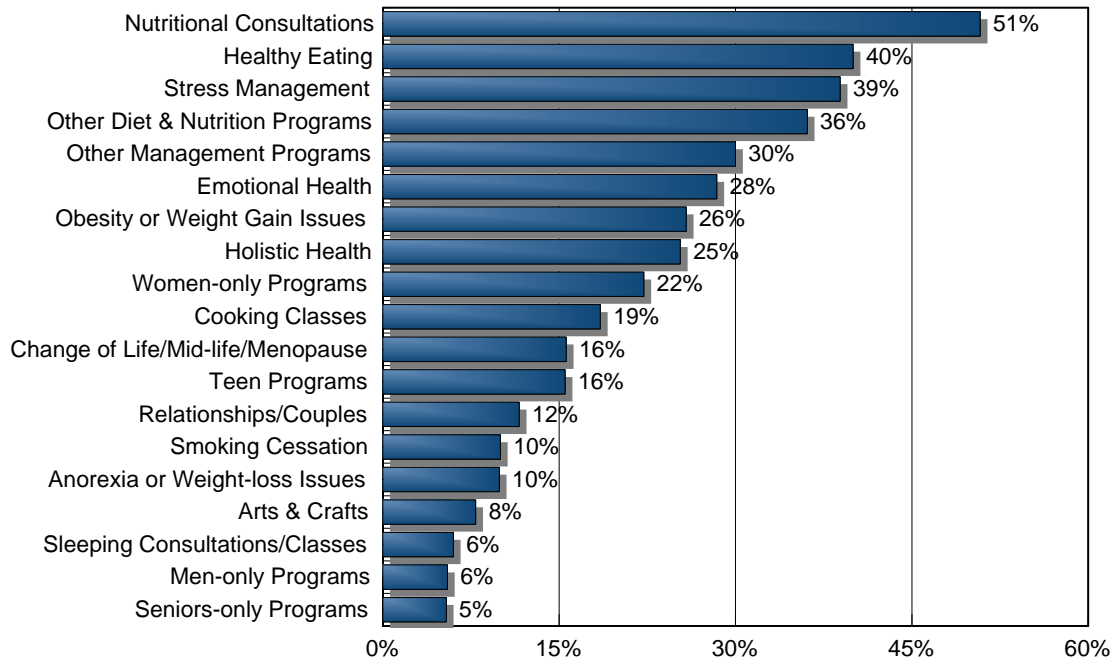
	<i>Club Spa*</i>	<i>Day Spa</i>	<i>Medical Spa*</i>	<i>Resort/Hotel Spa</i>	<i>Other*†</i>
Meditation	21%	62%	N/A	56%	66%
Yoga	94%	36%	N/A	95%	100%
Relaxation Classes	34%	40%	N/A	43%	66%
Tai Chi	22%	21%	N/A	41%	27%

Notes: * Interpret results with caution due to small sample sizes.
 †Other type of spa includes mineral springs spas and destination spas.
 Base is those who offer mind, body and spirit programs.

Educational Programs and Workshops Offered

Educational programs and workshops are offered by one-third (32%) of U.S. spas. Respondents who completed the survey on the Internet were asked to identify specifically which educational programs or services they offered. Their responses are summarized in **Exhibit 5-17**.

EXHIBIT 5-17 — EDUCATIONAL PROGRAMS AND WORKSHOPS OFFERED



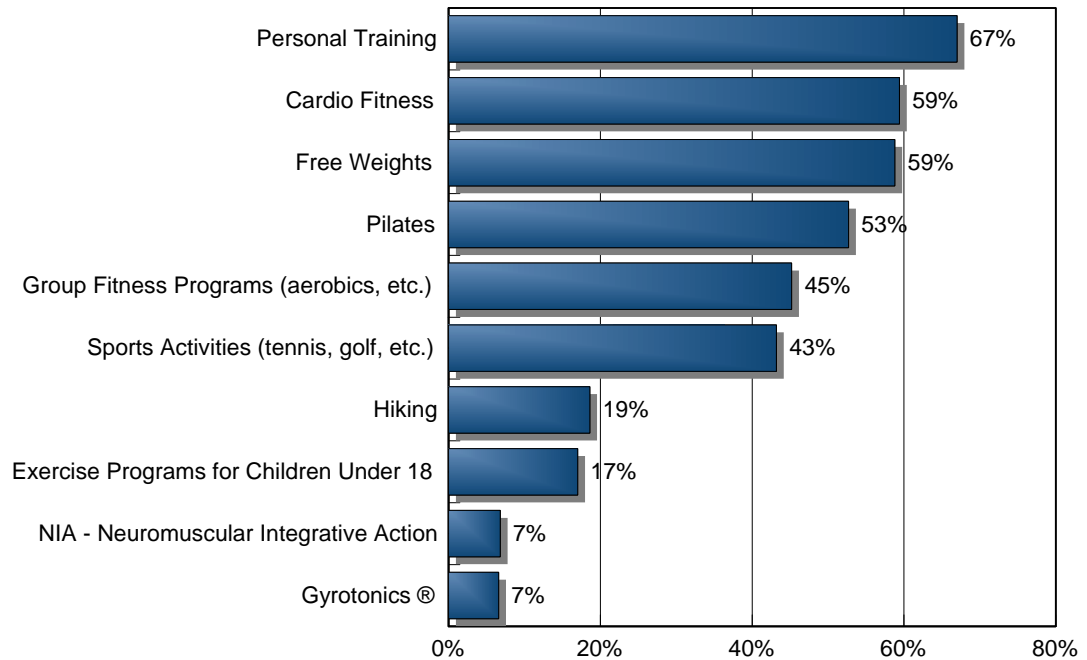
Notes: * Interpret results with caution due to small sample sizes.
 Base is those who offer educational and nutritional classes.
 Question asked to Internet respondents only.

Core educational programs or workshops offered include nutritional consultations (51% of those offering these types of services), healthy eating (40%), stress management (39%) and other diet and nutrition programs (36%).

Fitness or Sports Service Offerings

As presented earlier, 13% of spas report offering fitness or sports programs as part of their spa experience. Those that offer such programs were asked to indicate which specific programs they offer. Their responses are summarized in **Exhibit 5-18**. It should be noted that this question was only asked to those who responded to the survey via the Internet.

EXHIBIT 5-18 — FITNESS OR SPORTS SERVICES OFFERED



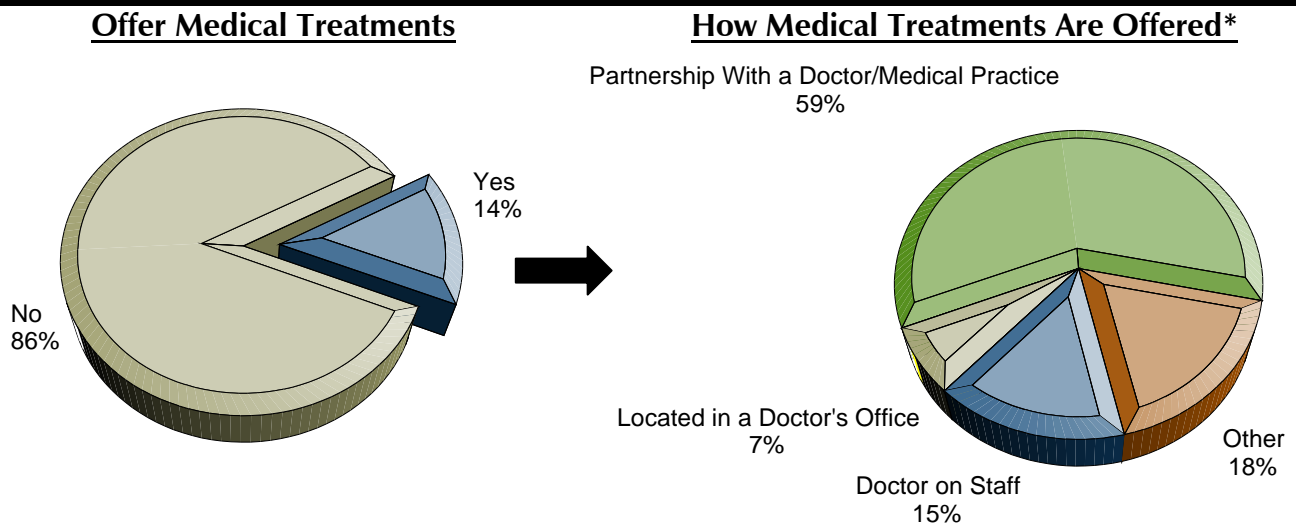
Notes: Interpret results with caution due to small sample sizes.
 Base is those who offer fitness or sports programs.
 Question asked to Internet respondents only.

The core fitness or sports programs offered include personal training (67% among those offering fitness or sports programs), cardio fitness (59%), free weights (59%) and pilates (53%). Group fitness programs (45%) and sports activities (tennis, golf, etc.) (43%) are also quite popular.

Medical Treatments

As seen in **Exhibit 5-19**, 14% of spas in the United States indicated that they offer medical treatments. As seen in the past, the vast majority of those offering medical services do so using qualified medical personnel such as a partnership with a doctor/medical practice (59%) or an on-site doctor (22%). Of those in the “other” category, most indicated they had trained staff such as a registered nurse on staff. The fact that most medical treatments in the spa industry are being delivered through proper channels is a good sign for the spa industry as it helps ensure credibility of those spas offering these types of services.

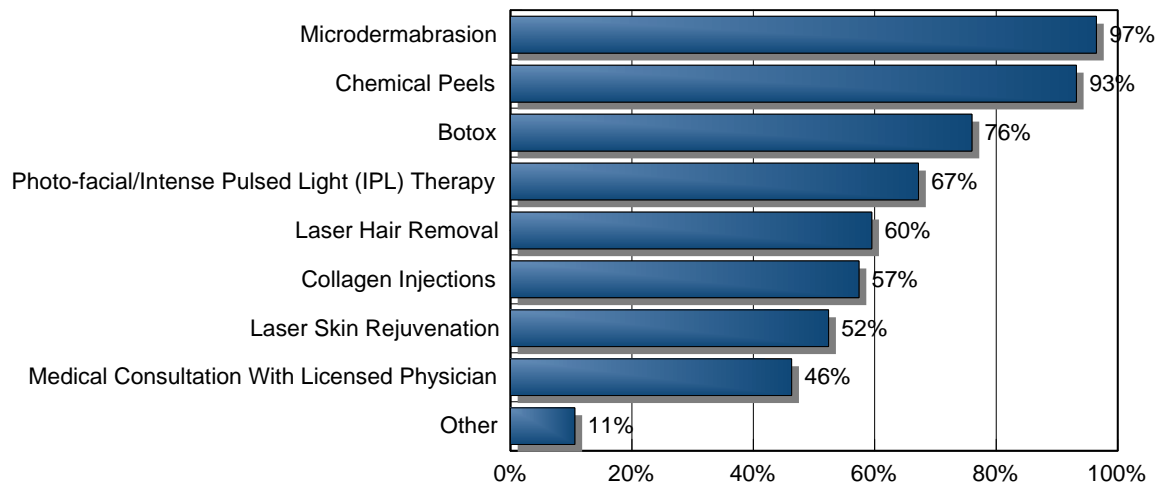
EXHIBIT 5-19 — HOW MEDICAL TREATMENTS ARE OFFERED



Notes: * Question asked to Internet respondents only. Interpret results with caution due to small sample sizes.

Exhibit 5-20 shows which medical treatments are offered by those who offer medical treatments. The industry has seen a surge in the portion of spas (who offer medical services) that offer microdermabrasion (97% in 2007 vs. 59% in 2004) and chemical peels (93% in 2007 vs. 54% in 2004). These two services have overtaken Botox (76%) as the top medical service from 2004. Photo-facial/Intense Pulsed Light (IPL) therapy is also quite popular and is offered by two-thirds (67%) of those offering medical services. A breakdown of medical services by spa type is presented for informational purposes.

EXHIBIT 5-20 — MEDICAL TREATMENTS OFFERED



Medical Treatments Offered by Spa Type

	Club Spa	Day Spa*	Medical Spa*	Resort/Hotel Spa	Other†
Microdermabrasion	N/A	94%	100%	N/A	N/A
Chemical Peels	N/A	94%	91%	N/A	N/A
Botox	N/A	65%	94%	N/A	N/A
Photo-facial/Intense Pulsed Light (IPL) Therapy	N/A	57%	94%	N/A	N/A
Laser Hair Removal	N/A	45%	94%	N/A	N/A
Collagen Injections	N/A	47%	85%	N/A	N/A
Laser Skin Rejuvenation	N/A	34%	94%	N/A	N/A
Medical Consultation With Licensed Physician	N/A	29%	85%	N/A	N/A
Other	N/A	12%	9%	N/A	N/A

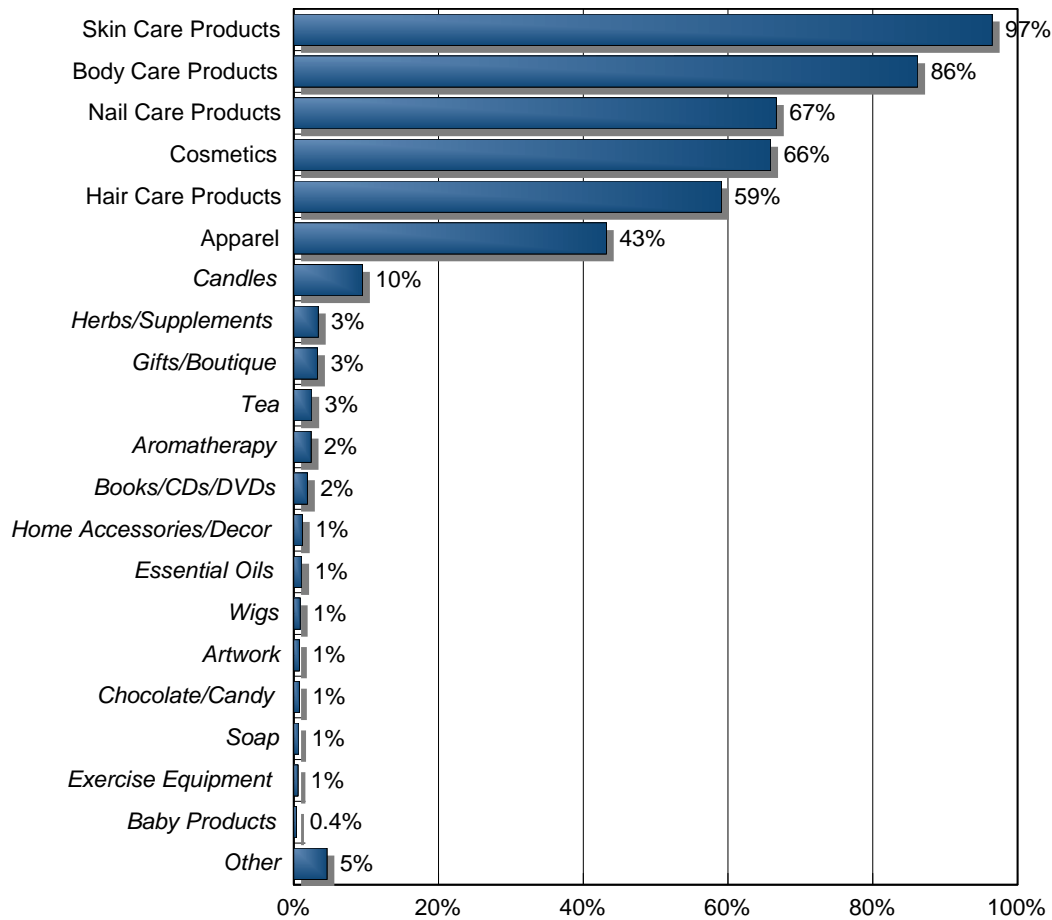
Notes: * Interpret results with caution due to small sample sizes.
 †Other type of spa includes mineral springs spas and destination spas.
 Base is those who offer medical treatments.
 Question asked to Internet respondents only.

Retailing in the Spa Industry

Retailing continues to be a significant contributor to the spa industry with nine in 10 (89%) spas reporting that they have a retail component. Among those with a retail component, skin care products continue to be the most common product with 97% of retailing spas offering it. Body care products are a close second at 86%. Clearly, these are the two core products of the spa industry’s retail component. Retail products sold are summarized in **Exhibit 5-21**. Other key products offered by more than half of retailing spas include nail care products (67%), cosmetics (66%) and hair care

products (59%). As seen in the past, the top products sold are those that relate directly to the services offered by spas. Unprompted product mentions are shown in the exhibit in italics for informational purposes.

EXHIBIT 5-21 — RETAIL PRODUCTS SOLD



Items in italics were mentioned unprompted.

Retail Products Sold by Spa Type

	<i>Club Spa*</i>	<i>Day Spa</i>	<i>Medical Spa*</i>	<i>Resort/Hotel Spa</i>	<i>Other*†</i>
Skin Care Products	100%	96%	97%	96%	100%
Body Care Products	97%	86%	78%	91%	88%
Nail Care Products	56%	70%	32%	72%	43%
Cosmetics	50%	67%	69%	60%	50%
Hair Care Products	42%	62%	28%	61%	67%
Apparel	48%	41%	31%	72%	74%

Notes: * Interpret results with caution due to small sample sizes.

†Other type of spa includes mineral springs spas and destination spas.

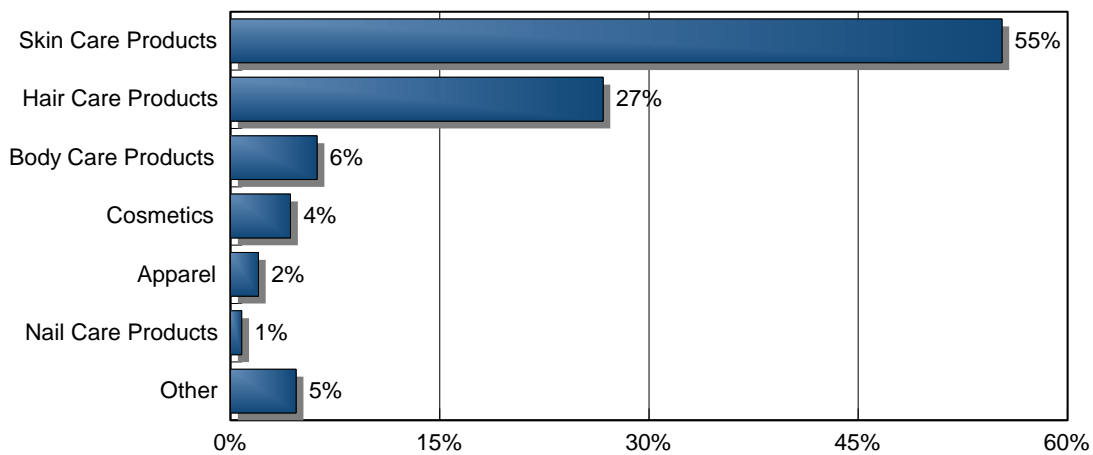
Base is those who offer retail.

Product Definitions: Apparel - clothing, robes, slippers, jewelry; Skin care products - moisturizer, cleansers, sun-protection/tanning products.

A look at spa types reveals that medical spas are less likely to offer a number of retail products including body care products, nail care products, hair care products and apparel. Apparel is most commonly offered by resort/hotel spas and by those in the “other” category. Club spas are less likely than others to offer nail care products, hair care products and cosmetics.

Given that it is the most commonly offered product, it is not surprising that skin care products are also the product most likely to be identified as the best selling (see **Exhibit 5-22**). More than half (55%) of retailing spas identified skin care products as their best seller. Hair care products are a distant second at 27% of retailing spas. With the next highest mention at 6%, no other products stand out as top sellers in the spa industry.

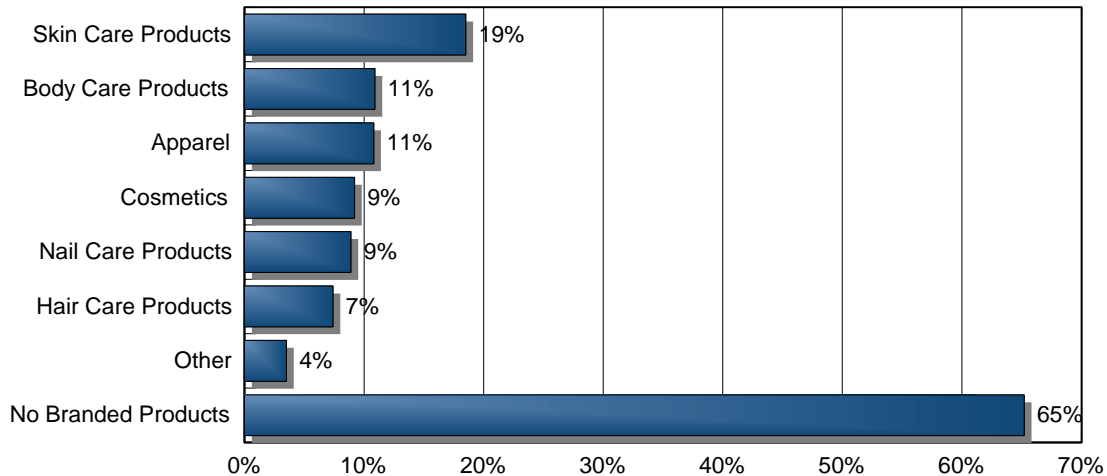
EXHIBIT 5-22 — BEST-SELLING RETAIL PRODUCTS



Notes: Base is those who sell retail products.
 Product Definitions: Apparel - clothing, robes, slippers, jewelry; Skin care products - moisturizer, cleansers, sun-protection/tanning products.

Retailing spas were also asked to indicate which retail products were branded with their company name. Their responses are summarized in **Exhibit 5-23**. Overall, only one-third (35%) of retailing spas indicated that they sell branded retail products. Not surprisingly, the top mentioned branded retail product is the most commonly offered retail product – skin care. One-fifth (19%) of retailing spas offer branded skin care products. With the exception of hair care products (7%), all other key retail products were identified as branded by one in 10 (9-11%) retailing spas.

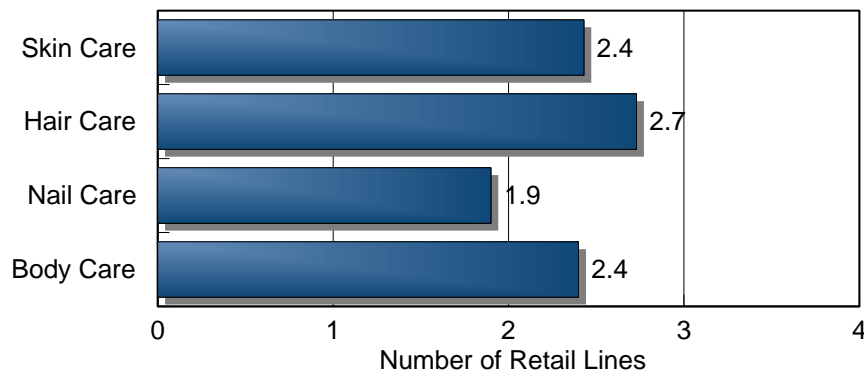
EXHIBIT 5-23 — BRANDED RETAIL PRODUCTS SOLD



Note: Product Definitions: Apparel - clothing, robes, slippers, jewelry; Skin care products - moisturizer, cleansers, sun-protection/tanning products.

A new retail question in this edition of the spa industry study was how many retail product lines spas carried for the products they sold. As seen in **Exhibit 5-24**, hair care products are the most varied, with those who offer them reporting an average of almost three different product lines carried. Close behind are skin care and body care products at 2.4 product lines each.

EXHIBIT 5-24 — NUMBER OF RETAIL LINES



Notes: Base is those who sell each retail product.
 Product Definitions: Apparel - clothing, robes, slippers, jewelry; Skin care products - moisturizer, cleansers, sun-protection/tanning products.

As presented in **Exhibit 5-25**, spas report average retail revenue per visit of just under \$50. Interestingly, average retail revenue is highest at medical spas (\$78) and lowest at club spas at just under \$42. This question is also new to this study.

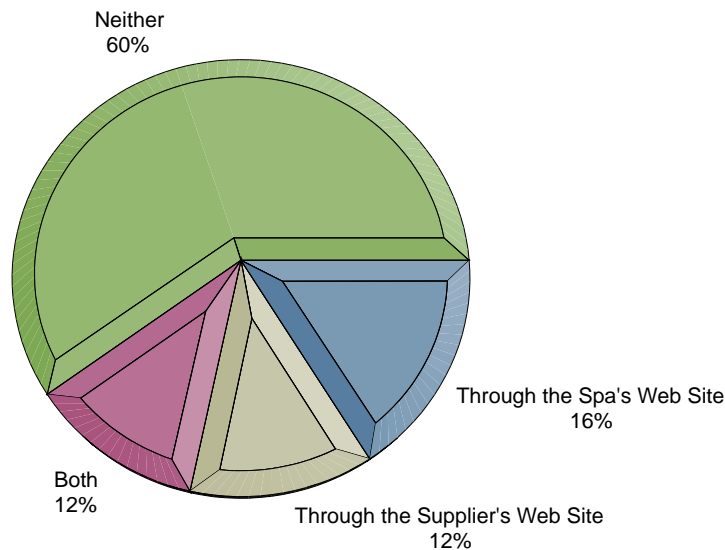
EXHIBIT 5-25 — AVERAGE RETAIL REVENUE PER SPA VISIT

	Total	Club Spa*	Day Spa	Medical Spa*	Resort/Hotel Spa	Other*†
Average Retail Revenue	\$47.50	\$41.71	\$45.49	\$78.00	\$43.75	\$53.81

Notes: * Interpret results with caution due to small sample sizes.
 †Other type of spa includes mineral springs spas and destination spas.
 Base is those who sell retail products.

Also new this year was a question asking about the availability of a spa’s retail products via the Internet. As seen in **Exhibit 5-26**, a slight majority (60%) of retailing spas report that their retail products are not available via the Internet. Sixteen percent (16%) report that their retail products are available through the spa’s Web site, 12% indicate they are available via the supplier’s Web site, and a further 12% indicate they are available through both channels. While selling retail via the Internet has definitely penetrated the industry, it has a long way to go before it is a universal practice.

EXHIBIT 5-26 — AVAILABILITY OF RETAIL PRODUCTS VIA THE INTERNET



Availability of Retail Products Via the Internet by Spa Type

	Club Spa*	Day Spa	Medical Spa*	Resort/Hotel Spa	Other*†
Through the Spa's Web Site	6%	15%	22%	26%	29%
Through the Supplier's Web Site	13%	12%	11%	12%	0%
Both	18%	13%	2%	11%	8%
Neither	64%	60%	65%	51%	63%

Notes: * Interpret results with caution due to small sample sizes.
 †Other type of spa includes mineral springs spas and destination spas.
 Base is those who sell retail products.

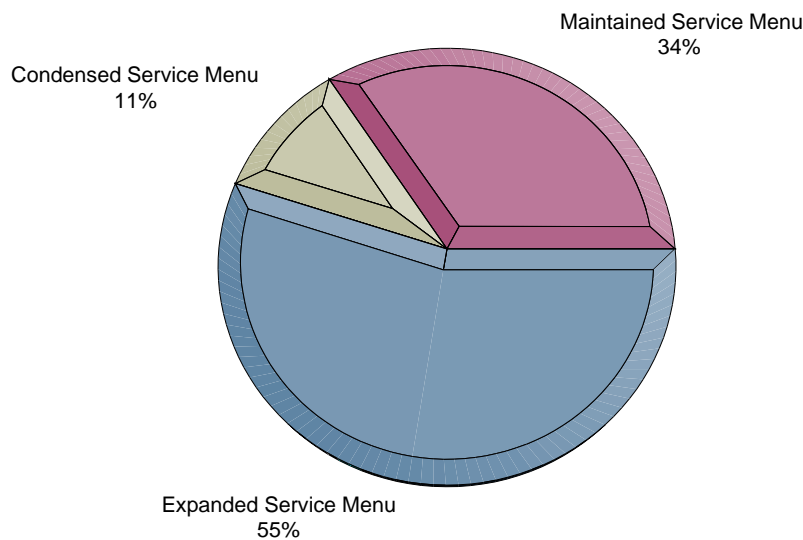
Not surprisingly, an analysis of results by spa type shows that resort/hotel spas are the most likely to offer retail products via the Internet (49%). Compared to other spa segments, few club spas (6%) or day spas (15%) offer products via their own Web site.

Service Offering Changes

To help gauge how the industry is changing, three questions were asked to respondents regarding recent changes to their spa service menu, recent expansions and renovations as well as past expansion and renovations. It should be noted that these questions were asked to Internet respondents only.

With more than half (55%) of spas indicating that they have added new services to the spa menu in the past 12 months, there is clearly a sense among many in the industry that they must continually add and adapt in order to compete. Only one-third (34%) of respondents indicated that they have not made any changes to their menu recently, while just 11% have condensed their service offerings (see **Exhibit 5-27**).

EXHIBIT 5-27 — RECENT CHANGES TO THE SPA SERVICE MENU

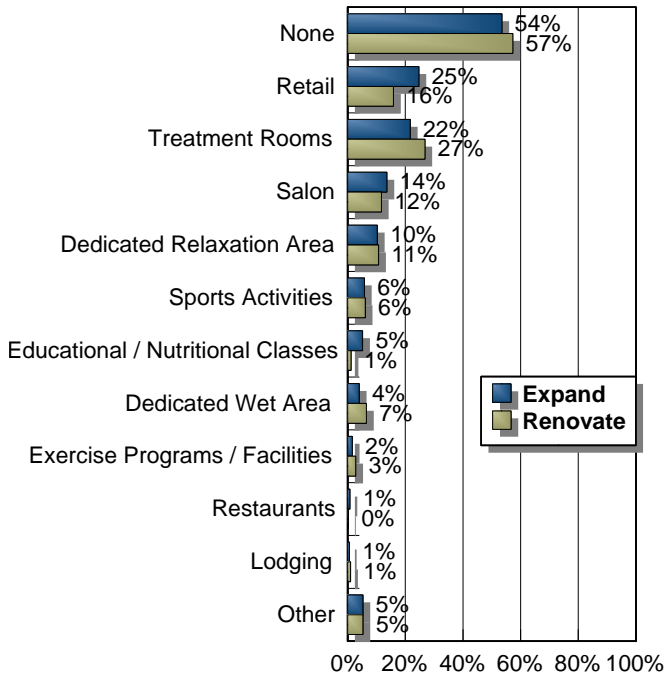


Note: Question asked to Internet respondents only.

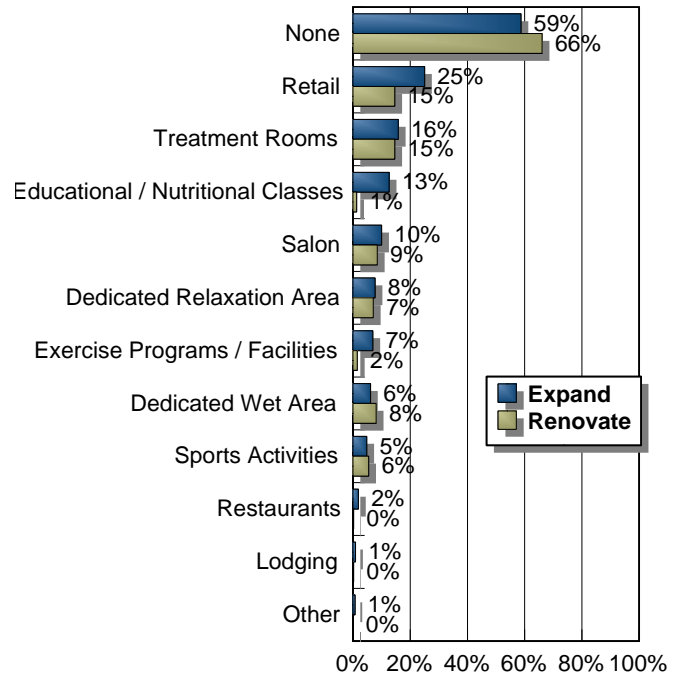
Among those surveyed, 46% have expanded their facilities over the last year, and 43% have renovated. Looking ahead, 41% plan to expand in the next year while 34% plan to renovate. Interestingly, retail is the area most commonly expanded (both past and future) while treatment rooms were the primary target for renovations. Findings on expansions and renovations are summarized in **Exhibit 5-28**.

EXHIBIT 5-28 — RENOVATIONS AND EXPANSIONS IN THE SPA INDUSTRY

**Past Renovations and Expansions
(Past 12 Months)**



**Future Renovations and Expansions
(Next 12 Months)**



Note: Question asked to Internet respondents only.

VI. EMPLOYMENT CHALLENGES IN THE SPA INDUSTRY

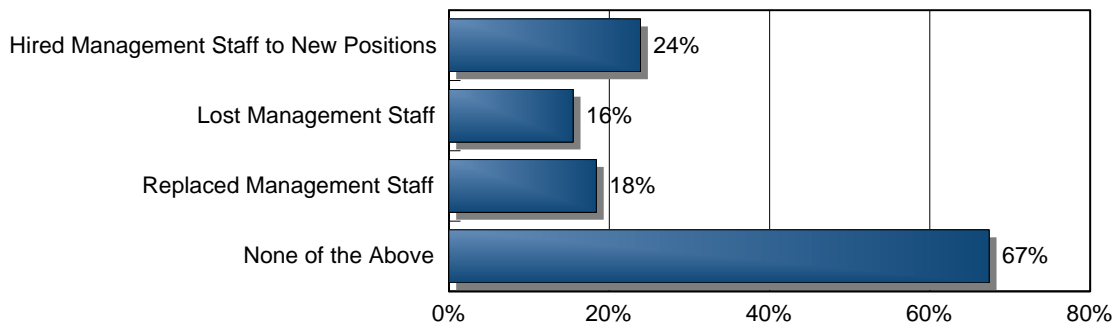
As mentioned in Chapter III, the average spa employs 16 staff. New to this year’s survey, a number of questions were asked to help determine the degree of turnover in the industry, the number of vacant jobs and what positions are most difficult to staff. Respondents’ answers to the questions are outlined in this chapter.

It is important to note that in the months leading up to the study, the United States in general was facing shortages of skilled workers.¹ While it does not impact the conclusions from the results presented below, it does provide some context on what was happening in the United States at the time of the study.

Management Turnover

Two-thirds (67%) of spas indicated that they had not made any moves in the past year to change their management staff (see **Exhibit 6-1**). In other words, one-third made at least one change (respondents were allowed to select more than one answer).

EXHIBIT 6-1 — MANAGEMENT TURNOVER IN THE PAST 12 MONTHS



Management Turnover by Spa Type					
	Club Spa*	Day Spa	Medical Spa*	Resort/Hotel Spa	Other*†
Hired Management Staff to New Positions	25%	21%	27%	44%	49%
Lost Management Staff	12%	13%	15%	39%	21%
Replaced Management Staff	21%	16%	15%	36%	31%
None of the Above	66%	70%	67%	50%	42%

Notes: * Interpret results with caution due to small sample sizes.
 † Other type of spa includes mineral springs spas and destination spas.
 Responses sum to more than 100% due to multiple responses.

One quarter (24%) indicated that they had hired management staff to a new position, which can be interpreted as a sign of growth. On the other hand, 16% indicated that they lost management staff (i.e., to another employer) and 18% replaced management staff. Importantly, there is significant overlap (e.g., selected both) in those who lost management staff and those who replaced them. When combined, and the overlap is removed, the results reveal that 25% of all U.S. spas faced a turnover

¹ Source: CNNMoney.com

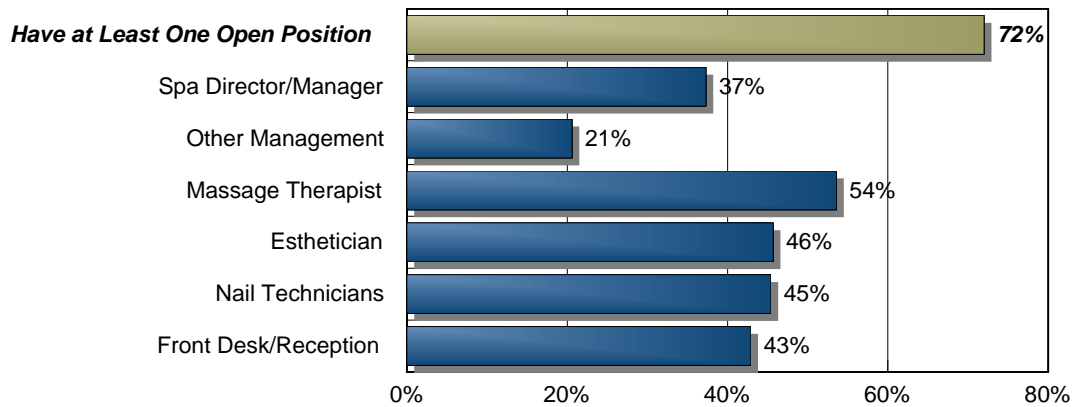
situation at the management level in the past 12 months. The significant turnover could be the result of spas not being able to find properly qualified people for management or simply a retention issue (i.e., compensation, employee satisfaction, etc.) where they are losing staff to competitors. Regardless of the root cause, which needs further study to confirm, the spa industry clearly has some significant challenges to address at the management level.

Looking at the different spa types reveals that resort/hotel spas are experiencing a greater degree of growth with 44% having added new management positions. However, they also have a higher portion of spas that have either lost management staff (39%) or replaced them (36%). Clearly, resort/hotel spas have more work to do in management staff retention than do other spa types.

Vacant Positions and Staffing Difficulties

Is there a shortage of people working in the spa industry? With 72% of spas reporting that they have at least one open position (among those listed on the survey), clearly there is. In fact, as seen in **Exhibit 6-2**, a significant portion of spas have openings in each of the staff positions tested on the survey. Specifically, just more than half (54%) of all U.S. spas report that they have a vacant massage therapist positions while slightly fewer reported openings for estheticians (46%), nail technicians (45%) and front desk/reception (43%). In concert with the results presented in the previous section, one-third (37%) of spas report that they are looking for a spa director/manager. These findings clearly point to a staffing shortage in the spa industry and support what has been said in executive interviews in past studies.

EXHIBIT 6-2 — PERCENT OF SPAS WITH OPEN STAFF POSITIONS



	Percent of Spas With Open Staff Positions by Spa Type				
	Club Spa*	Day Spa	Medical Spa*	Resort/Hotel Spa	Other*†
Have at Least One Position Open	67%	72%	75%	73%	52%
Spa Director/Manager	22%	36%	50%	47%	38%
Other Management	9%	21%	12%	30%	23%
Massage Therapist	40%	54%	52%	57%	39%
Esthetician	34%	45%	52%	50%	24%
Nail Technicians	38%	48%	25%	45%	7%
Front Desk/Reception	29%	41%	54%	55%	45%

Notes: * Interpret results with caution due to small sample sizes.
 †Other type of spa includes mineral springs spas and destination spas.

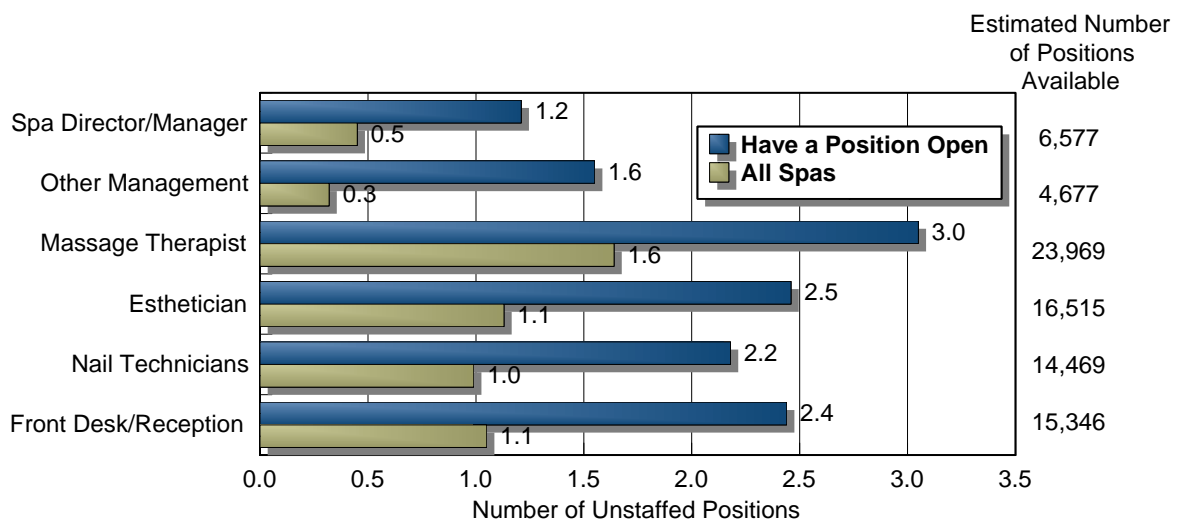
Looking at the different spa types reveals that staffing is an issue across the board though readers will notice some differences among spa types in terms of which positions are most problematic. While not shown in an exhibit, it is important to note that the percentage of spas with at least one vacant staff position is similar in all regions except the North West where it is somewhat lower at 66%.

Exhibit 6-3 shows the average number of unstaffed positions per spa by job title both overall for all spas and among just those who have open positions. The exhibit also shows the estimated total number of positions available in the industry by job title.

The results indicate that there are a large number of job openings at all positions in the spa industry. The position with the most vacancies is the massage therapist. Spas report, on average across all spas in the United States, they have 1.6 openings at this position. If only those who have an open position are included, the average is 3 positions per spa. This translates into a shortage of almost 24,000 massage therapists in the United States. All other non-management positions surveyed average (across all spas) one open position per spa or approximately 14,500 to 16,500 openings across the United States. At the management level, the key finding is there are an estimated 6,600 spa director/manager openings industry-wide.

It is important to note that because in many spas, one person can perform several job functions, there is likely overlap in these positions. Accordingly the numbers by job title cannot simply be added together to get a total number of staff needed. In addition, the survey did not address whether the open positions were full-time or part-time.

EXHIBIT 6-3 — NUMBER OF UNSTAFFED POSITIONS

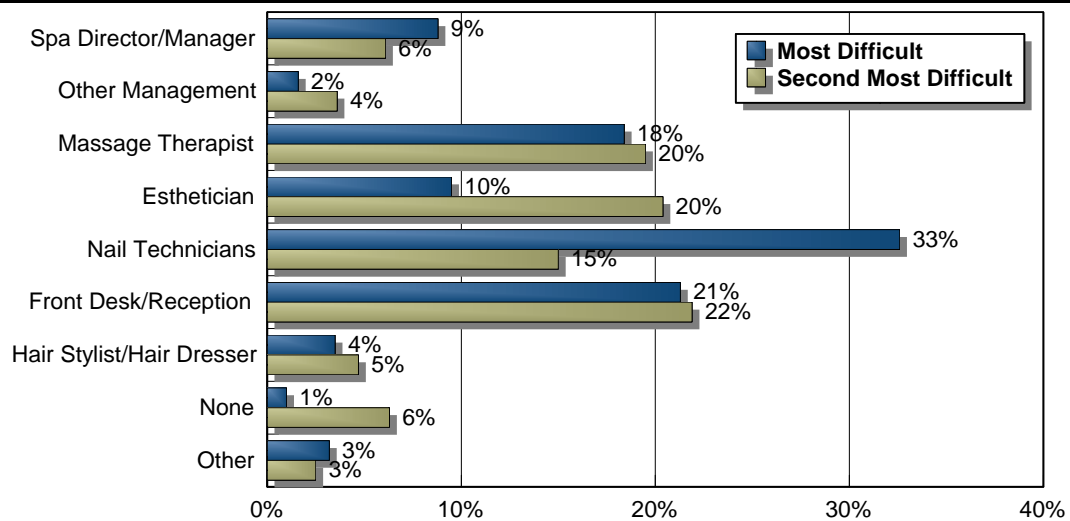


While the results do point to a significant staff shortage in the industry, the severity of the issue is dependent on why so many positions are open. In some cases, spas might be expanding, which

would mean the shortage is a function of new positions being created by rapid growth and the problem may correct itself over time. Alternatively, the problem could also be the result of staff turnover. Finally, some spas may simply be “always looking for people” even if they are sufficiently staffed. Unfortunately, because the survey did not address the reasons for the shortages, data is not available to determine the true reason, which may be a combination of all of these.

As seen in **Exhibit 6-4**, it is the nail technician at 33% that tops the list of the most difficult positions to staff. Massage therapists, estheticians and front desk positions are next and are seen as equally difficult to staff (compared to each other). At the bottom of the list in terms of staffing difficulty are hair stylist and management positions.

EXHIBIT 6-4 — MOST DIFFICULT POSITIONS TO STAFF



Human Resource Challenges

As part of the *ISPA 2006 Spa Industry Statistics* study a series of in-depth interviews were conducted to understand current trends and challenges in the spa industry. Because interviews were not conducted as part of this study, findings from the 2006 study are presented here as the most current data available on trends.

The results from the in-depth interviews reveal a number of human resource challenges. While one interviewee was pleasantly surprised that their region was enjoying “more qualified people than ever before applying for jobs,” many regions across the United States and Canada continue to experience a significant “shortage of qualified people from a skills perspective,” particularly with regard to the “directors and strong management” staff they need to keep their spas running smoothly.

Some worry that this lack of qualified personnel at the top of North America's spas is having a "trickle-down effect" on the lower echelons of the personnel infrastructure. As one individual suggests, "the lead therapist is not always well-trained; when they are, there is a more motivated staff."

The general feeling is that the root cause of the spa industry's long-standing human resources challenges continues to stem from the reality that "the demand is huge" but "the education is inadequate." While some efforts, such as certification initiatives, may be helping to some degree, the suggestion was made more than once that the individual spas themselves should be playing a more significant role in this regard through more and better in-house training.

As a second potential solution to offset the staffing crisis, one individual suggests that the spa industry explore new avenues by being more "clever in recruiting" and consider looking at "other industries for non-core therapist and front desk" positions.

A second human resource issue that continues to challenge the spa industry is compensation. The spa industry, having grown to a large extent out of the salon industry, has struggled to find an affordable and mutually beneficial balance when it comes to compensation. While many spas initially adopted the commission approach traditionally used by the salon sector, the significantly higher costs incurred by typical spa owners made it virtually impossible for them to compete with the commission rates being offered by salons. As a result, many spa owners continue struggling to find the "happy medium" between salary, commission and benefits that is mutually beneficial both to themselves and their staff.

VII. THE CANADIAN SPA INDUSTRY – A SNAPSHOT

To this point in the report, only findings related to the U.S. spa industry have been discussed. This chapter presents a detailed summary of the Canadian spa industry as of August 2007. The chapter begins with a look at the key industry statistics for Canada followed by a discussion on Canadian industry growth rates. The latter part of the chapter presents a detailed profile of spas in Canada.

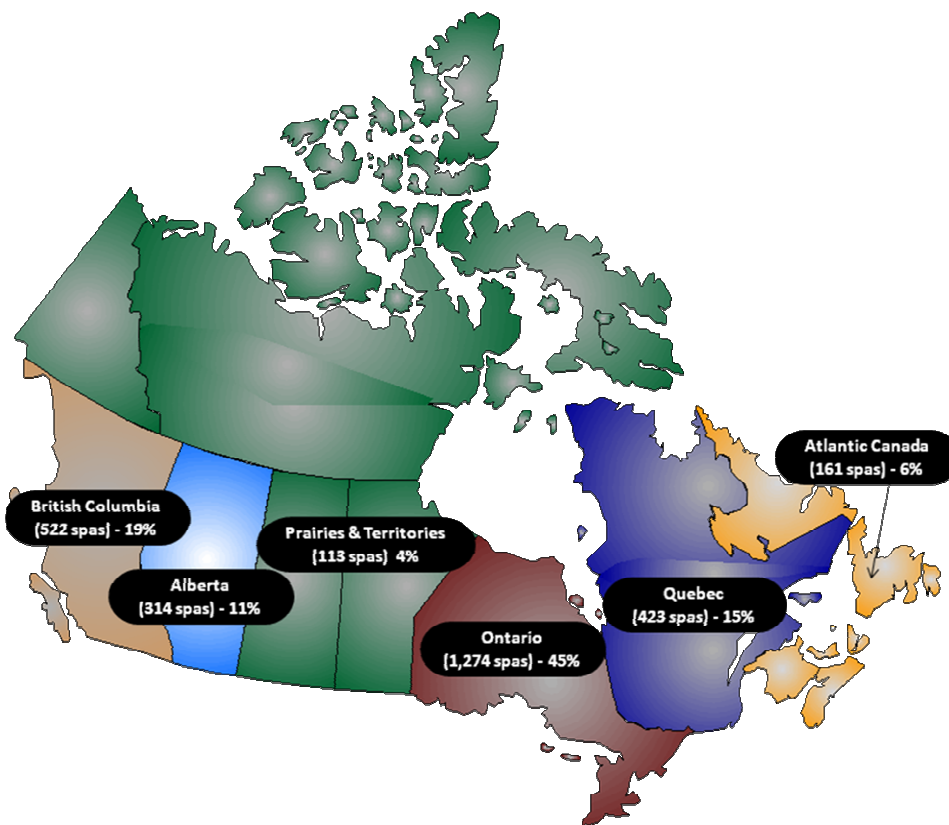
Note: A special thank-you to the Canadian Tourism Commission for sharing data from the 2006 Spa, Health and Wellness Sector Profile to provide a historical comparison

How Big Was the Canadian Spa Industry in 2007?

At the time of this study, there were an estimated 2,807 spas in Canada being operated by approximately 2,600 different organizations. Like the U.S. industry, the Canadian industry is also dominated by a large number of small players, with only a few large organizations. **Exhibit 7-1** illustrates the regional breakdown of spas in Canada.

EXHIBIT 7-1 — REGIONAL DISTRIBUTION OF SPA ESTABLISHMENTS IN CANADA

Total Number of Spas in Canada — 2,807

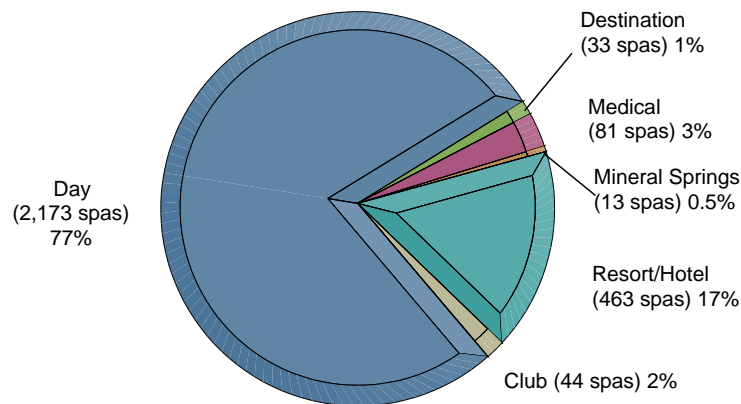


Given that Ontario accounts for 38% of the country's population¹, it comes as no surprise that it is the largest in terms of the number of spas. In fact, Ontario accounts for 45% (or almost 1,300) of all spas in Canada. The next largest region is British Columbia at 19% (522 spas) followed closely by Quebec at 15% (423 spas). With Alberta at 11% (314 spas), the big four provinces account for nine out of every 10 (90%) spas in Canada. Since the Canadian industry was last studied in March 2006 (by the Canadian Tourism Commission), there has been no significant shift in the regional distribution of spas in Canada.

When compared to the general population, the distribution of spas generally follows the same pattern in that the more populated regions are also the larger regions in terms of spas. However, there are a number of discrepancies. Specifically, the share of spas in Ontario (45% of spas vs. 38% of the population) and British Columbia (19% vs. 13%) are significantly higher than their share of the Canadian population. Consequently, the region that is most underrepresented is Quebec (15% of spas vs. 24% of the population) and, to a lesser extent, the Prairies (4% vs. 7%).¹

As illustrated in **Exhibit 7-2**, more than three-quarters (77%) of Canadian spas are day spas. This represents almost 2,200 day spas. At 17%, resort/hotel spas have a firm hold on the second spot. Unlike the United States, medical spas have yet to make a significant surge to become one of the dominant players in the Canadian spa sector. Moreover, medical spas account for only 3% or 81 spas in Canada.

EXHIBIT 7-2 — NUMBER OF SPA ESTABLISHMENTS IN CANADA BY SPA TYPE



Notes: Spa type definitions can be found in Chapter IV.
Percentages do not sum to 100% due to rounding.

A summary of key Canadian industry statistics is presented in **Exhibit 7-3**. As shown in the exhibit, in 2006, the 2,800 spas in Canada produced total estimated revenue of almost \$1.1 billion CDN (approximately \$1.03 billion USD as of July 31, 2007) from more than 17 million spa visits. At the time of the study, the industry employed an estimated 30,500 people, 62% of which are full-time.

¹ Source: Population percentages calculated from 2006 Canadian Census per Statistics Canada Web site.

The industry occupies total indoor space of approximately 7.1 million square feet. The exhibit also shows the confidence interval (or degree of error) associated with the overall industry estimates.

EXHIBIT 7-3 — CANADIAN SPA INDUSTRY STATISTICS FOR 2007

	Estimate	Confidence Interval**	
		Low	High
Total Spa Establishments	2,807	N/A	N/A
Spa Revenue (2006)	\$1,074 million*	\$738 million*	\$1,410 million*
Square Footage	7.1 million sq. ft.	6.0 million sq. ft.	8.2 million sq. ft.
Spa Visits (2006)	17.4 million	15.3 million	19.6 million
Employees			
Full-time	19,004	16,225	21,783
Part-time	7,607	6,309	8,905
Contract	3,874	3,130	4,618
Total Employees	30,485	25,664	35,306

Notes: *Revenues are in Canadian dollars.

** Estimates are, by nature, subject to error. The confidence interval represents the range in which the true industry numbers fall. The level of confidence used was 95%.

For informational purposes, **Exhibit 7-4** presents industry statistics by region and spa type. These statistics are based on the findings from the 316 Canadian spas that participated in this study and are provided for information purposes only. *Due to small sample sizes, results for subgroups should be interpreted with caution.*

EXHIBIT 7-4 — CANADIAN SPA INDUSTRY STATISTICS BY REGION AND SPA TYPE

	Number of Spas	Revenue in Millions*	Visits in Millions	Employees	Square Footage in Millions
REGION - ACTUALS:					
British Columbia	522	\$196	2.9	5,497	1.2
Alberta	314	\$163	2.2	4,824	1.2
Ontario	1,274	\$487	8.2	13,250	3.2
Quebec	423	\$130	2.4	4,619	1.0
Other [†]	274	\$98	1.7	2,294	0.6
REGION – INDUSTRY SHARE:					
British Columbia	19%	18%	17%	18%	17%
Alberta	11%	15%	12%	16%	16%
Ontario	45%	45%	47%	43%	45%
Quebec	15%	12%	14%	15%	13%
Other [†]	10%	9%	10%	8%	9%
SPA TYPE – ACTUALS:					
Day	2,173	\$812	13.7	23,544	5.0
Resort/Hotel	463	\$152	2.6	4,991	1.4
Other ^{††}	171	\$110	1.1	1,949	0.7
SPA TYPE – INDUSTRY SHARE:					
Day	77%	76%	79%	77%	71%
Resort/Hotel	17%	14%	15%	16%	19%
Other ^{††}	6%	10%	6%	6%	9%

Notes: Interpret region and spa type results with caution due to small sample sizes.

[†]Other region includes Prairies and the Territories and Atlantic Canada.

^{††}Other type of spa includes club spas, medical spas, mineral springs spas and destination spas.

*All dollar values displayed in Canadian dollars.

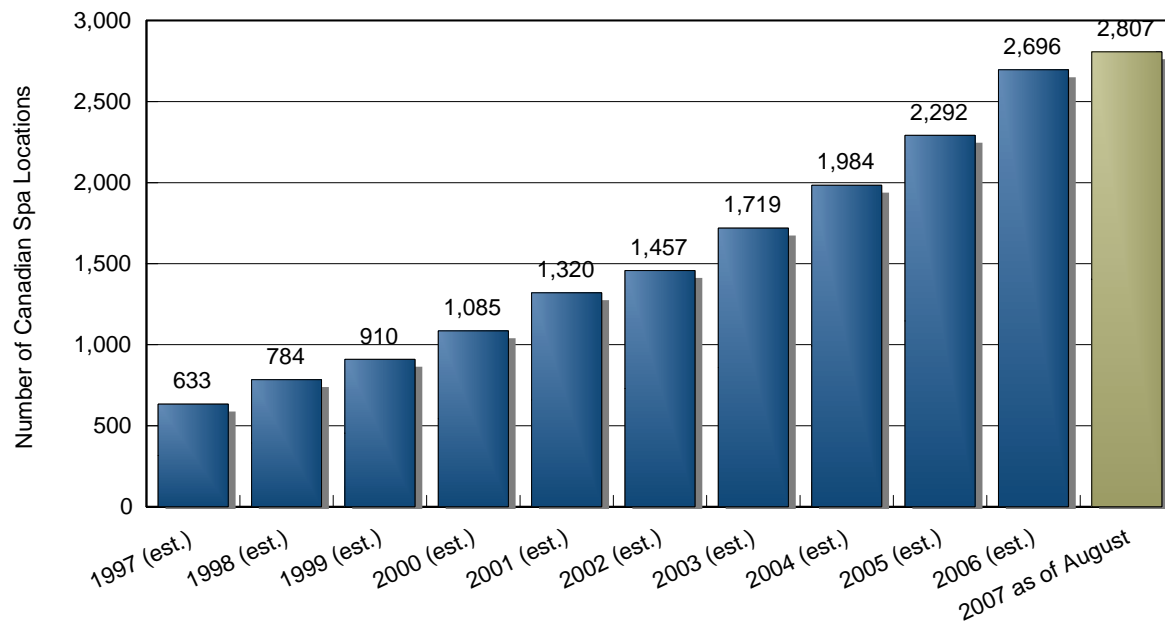
Controlled Growth in the Canadian Spa Industry

The following sections present an analysis of how the Canadian spa industry is growing in terms of locations, spa visits, revenue and employment. Throughout this section, data presented for 2005 and earlier is from the *2006 Spa, Health & Wellness Sector Study* conducted by the Association Resource Centre Inc. for the Canadian Tourism Commission in the spring of 2006.

Steady Growth in Spa Locations

Over the 10-year period from 1997 to 2006 (inclusive), the number of spas in Canada grew at an average annual rate of 17% (see **Exhibit 7-5**). Importantly, the actual growth rates in each year have been fairly steady with few significant peaks and valleys, and growth in 2006 continued to be strong and steady at 18%. This consistent growth has led to a total cumulative growth in locations of 343% since the end of 1997. In other words, in 10 years, the number of spas in Canada has more than quadrupled. The cumulative growth in Canada since 1999 (208%) is considerably lower than in the U.S. (253%). While the overall growth in this period is somewhat lower than in the United States, the pace is less sporadic and more manageable. Estimates of industry size and growth prior to 2006 are from the *2006 Spa, Health & Wellness Sector Study* conducted by the Canadian Tourism Commission.

EXHIBIT 7-5 — GROWTH IN THE NUMBER OF CANADIAN SPA LOCATIONS



	Establishment Growth Rate										
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007*
Annual	16%	24%	16%	19%	22%	10%	18%	15%	16%	18%	4%
Cumulative	-	24%	44%	71%	108%	130%	171%	213%	262%	326%	343%

Notes: Industry sizes for 1997 through 2006 are estimates of the number of spas at the end of each year. Industry size for 2007 represents the size of the industry as estimated in August 2007.

* The 2007 growth is year-to-date growth to August and is not an annual rate.

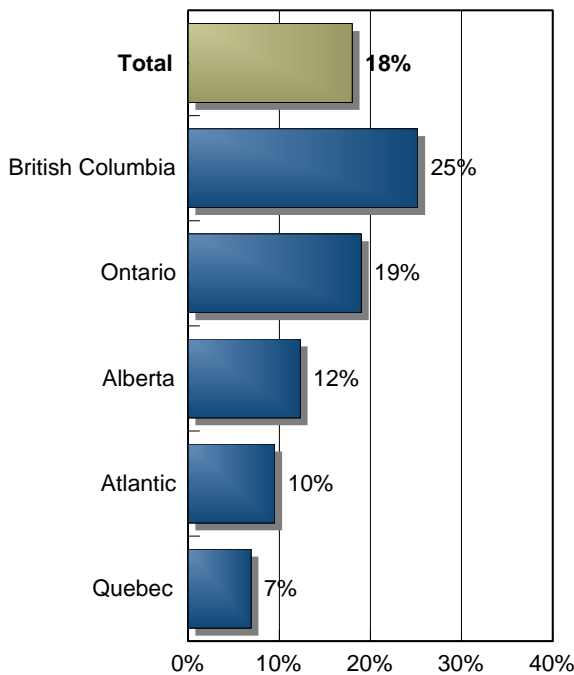
SOURCE: Estimates for 1997 through 2005 are from the *2006 Spa, Health & Wellness Sector Study* conducted by the Canadian Tourism Commission in the spring of 2006.

Results indicate 4% growth in the number of locations for 2007 through August (when the study was conducted). This projects to an annual rate of 6.2% for 2007 overall. However, as noted for the U.S. growth rates presented in Chapter III, past experience has shown that mid-year growth rates are usually quite low compared to the year-end growth rates. The main reason for this is that there is a three- to six-month lag before new spas surface in the various sources consulted to develop the industry inventory.

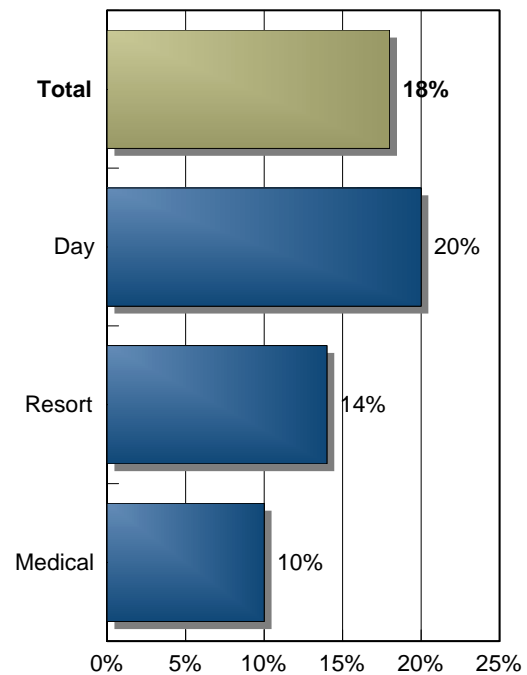
In 2006, the fastest-growing region for spas in Canada was British Columbia at 25% followed by Ontario (19%) and Alberta (12%). Growth in the number of spa locations in 2006 by region and spa type is presented in **Exhibit 7-6**. In terms of spa types, the fastest-growing in 2006 was day spas at 20%. Interestingly, medical spas saw only 10% growth in 2006, confirming that the medical spa trend has not entirely caught on in Canada yet.

EXHIBIT 7-6 — 2006 GROWTH IN CANADIAN SPA LOCATIONS BY REGION AND SPA TYPE

2006 Growth by Region



2006 Growth by Spa Type

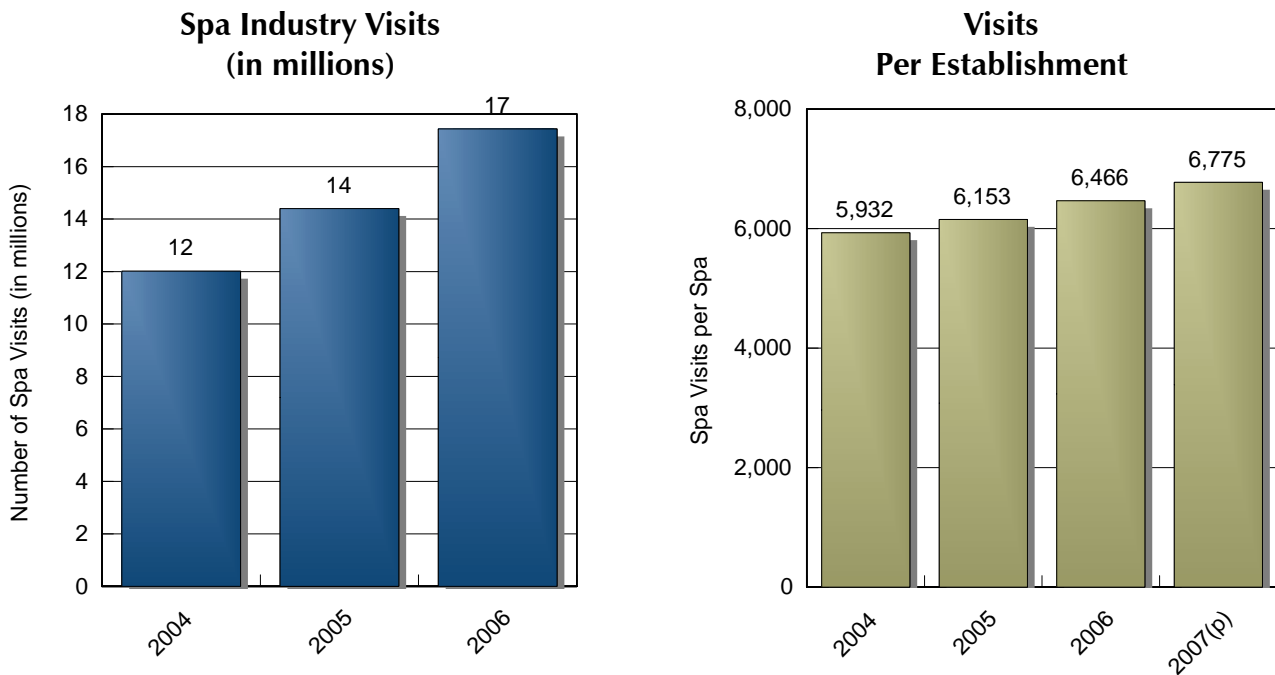


Notes: Interpret results for regions and spa types with caution due to small sample sizes. Prairies, Club Spas, Destination Spas, Mineral Springs spas have been omitted due to small sample sizes.
 SOURCE: Growth rates for 2006 are based on estimates for 2005 from the 2006 Spa, Health & Wellness Sector Study conducted by the Canadian Tourism Commission in the spring of 2006.

Consumer Demand in Canada Is Keeping Pace

Since 2004, the Canadian industry has been experiencing strong growth in industry visits. Overall, visits grew by 20% from 2004 to 2005 and by 24% from 2005 to 2006. While data is not available to extend this trend beyond 2004, the two-year trend points to consistent growth in both years. The changes in consumer demand in the Canadian market are shown in **Exhibit 7-7**. Estimates for 2004 and 2005 are from the *2006 Spa, Health & Wellness Sector Study* conducted by the Canadian Tourism Commission.

EXHIBIT 7-7 — GROWTH IN CONSUMER DEMAND IN CANADA



Notes: The (p) on 2007 stands for "projected." The 2007 (p) bar represents what owners and managers expect to achieve in 2007.
 SOURCE: Estimates for 2004 and 2005 are from the *2006 Spa, Health & Wellness Sector Study* conducted by the Canadian Tourism Commission in the spring of 2006.

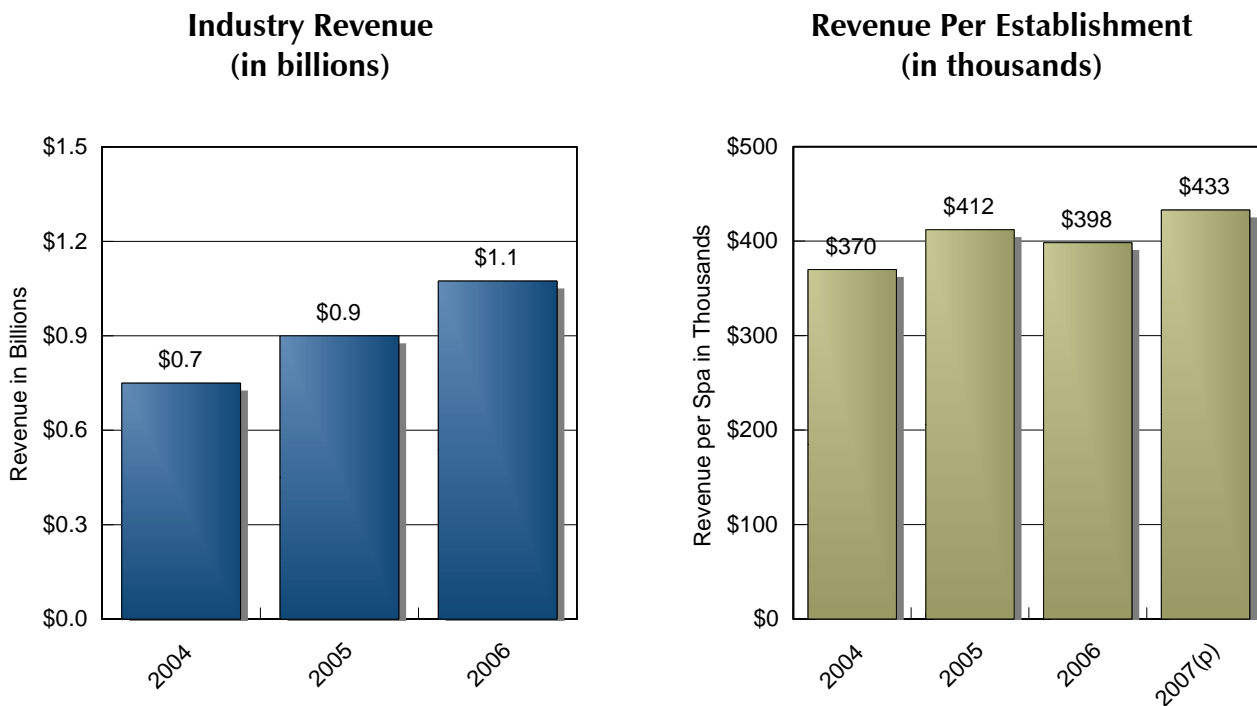
Another very important aspect of the growth in visits in Canada is that the number of visits per spa is also growing at a steady pace. Moreover, Canada saw the industry average for visits per spa increase by 4% in 2005 and 5% in 2006. In fact, when asked what they expected their visits to be in 2007, spas reported an average that is again expected to increase by 5%. These results are in stark contrast to what is happening in the United States where the industry is seeing stable demand and declining average visits as the number of locations increases. While a longer trend line is needed to clearly see what is happening, the results indicate that while the number of spas is growing quickly in Canada, they are not outpacing demand. This controlled pace is key to the continued long-term growth of the industry.

Industry Revenues Rising

Growth in industry and per-spa revenue is presented in **Exhibit 7-8**. Industry and per-spa numbers for 2004 and 2005 are from the Canadian Tourism Commission’s *2006 Spa, Health & Wellness Sector Study*. It should be noted the historical revenue figures presented here differ slightly from those presented in the CTC’s original report. The difference is that, where applicable, revenues associated with accommodations were removed to make the data comparable to the data collected in the current ISPA study.

Propelled by a growing number of locations, increasing visits and an 11% increase in the average revenue per spa, the Canadian industry saw a very strong revenue growth rate of 29% from 2004 to 2005. Following this strong revenue growth in 2005, 2006 saw more moderate, but still strong, revenue growth of 14%. Given that the number of locations and visits continued to grow, the lower industry revenue growth rate is the result of a moderate decrease (3%) in per spa revenues in 2006. This decrease is within the margin of error. Owners and managers are expecting a 9% growth in the average per spa revenue for 2007.

EXHIBIT 7-8 — SPA INDUSTRY REVENUE GROWTH IN CANADA

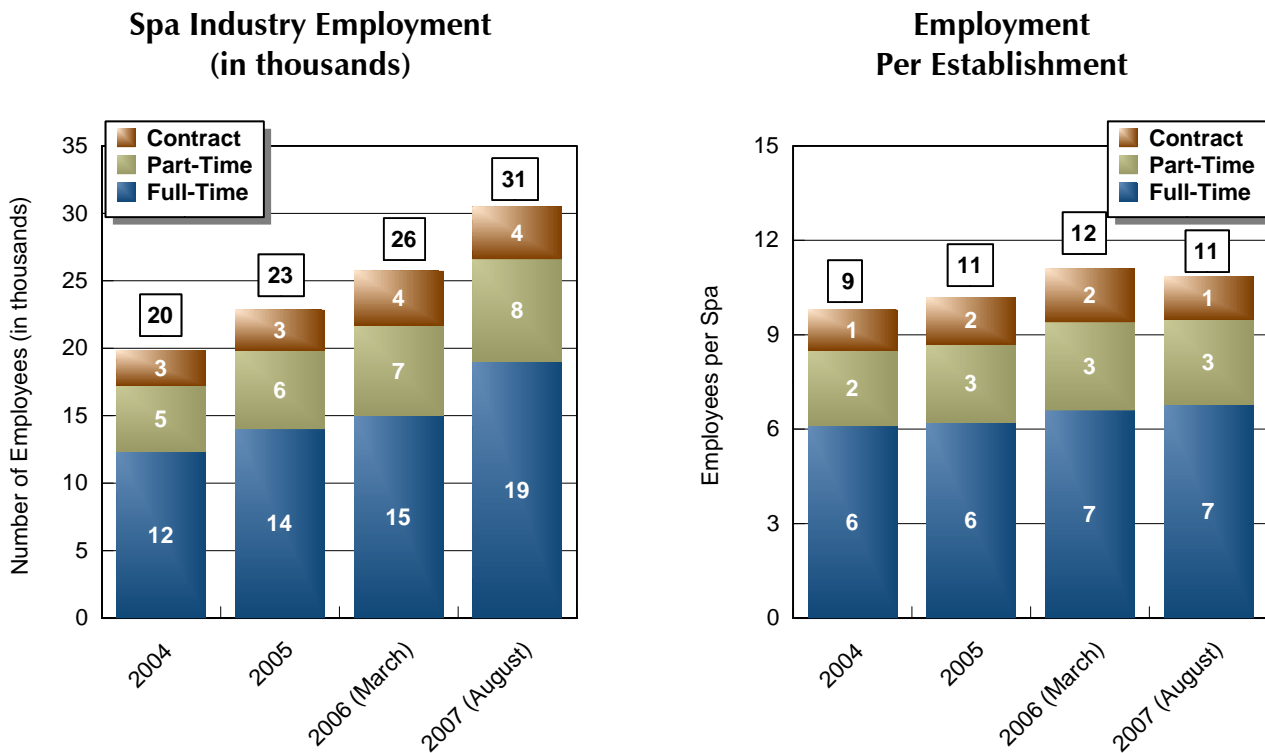


Notes: The (p) on 2007 stands for “projected.” The 2007 (p) bar represents what owners and managers expect to achieve in 2007. All dollar values are presented in Canadian dollars. SOURCE: Estimates for 2004 and 2005 are from the *2006 Spa, Health & Wellness Sector Study* conducted by the Canadian Tourism Commission in the spring of 2006.

Steady Employment Per Spa Leads to Overall Industry Growth

As illustrated in **Exhibit 7-9**, the industry is seeing consistent growth in employment. Specifically, total industry employment grew by 20% in 2005, 11% to March 2006 and then 13% to August 2007. The growth in employment is almost entirely a result of the growing number of locations as there has been little change in the number of employees per spa. In fact, spas employed an average of between 9 and 12 employees from 2004 to 2007. Interestingly, since 2004 there has been virtually no change in the share of employees working full-time, part-time or on contract.

EXHIBIT 7-9 — GROWTH IN EMPLOYMENT



Notes: Prior to 2003, surveys did not include a separate breakout of contract employees.
 SOURCE: Estimates for 2004 and 2005 are from the 2006 Spa, Health & Wellness Sector Study conducted by the Canadian Tourism Commission in the spring of 2006.

Canadian Spa Industry Growth Summary

While more historical data is needed to gain a true picture of what is going on in the Canadian spa industry, the data that is available indicates a very healthy industry. While the industry is growing rapidly, the pace appears to be fairly steady and, more importantly, manageable. Specifically, growth in locations has not had many significant peaks or valleys, rather the grow rate tends to hover around the 10 year average of 17%.

In contrast to what is happening in the United States, the number of industry spa visits has been growing faster than the number of spa locations. This has allowed the industry to achieve modest increases in the number of visits per spa which bodes very well for the industry's long-term growth. Per-spa revenues and employees are seeing relative stability, which has translated into gains at the overall industry level as locations grow.

The bottom line in Canada is that industry growth is both manageable and sustainable going forward.

Profile of the Canadian Spa Industry

Following are highlights of the key characteristics of the spa industry in Canada. These results are summarized overall and by spa type and region in **Exhibits 7-10** and **7-11** that follow.

- Like the United States, the Canadian industry is dominated by day spas. In fact, three out of every four spas (77%) in Canada is a day spa. At 17%, the resort/hotel segment is also very significant in Canada.
- The big four provinces account for 90% of all spas in Canada with Ontario being the largest at 45%. The distribution of spas generally follows the distribution of the population. However, Ontario and British Columbia are overrepresented (greater share of spas than population) while Quebec and the Prairies are underrepresented.
- Franchising is not common in the Canadian spa industry. Ninety-five percent (95%) of spas claim to have no franchise affiliation.
- Overwhelmingly, Canadian spas tend to have a "small" ownership structure. In fact, 83% of Canadian spas are owned either in a sole proprietorship (58%) or a small corporation (25%).
- Not surprisingly, treatment rooms are offered by virtually all (100%) Canadian spas. As in the U.S., retail (86%) is also a core offering for spas in Canada as is salon services (76%). Just under two-thirds (61%) of spas have a dedicated relaxation area making it a key component of spas in Canada. The second tier of services and spa components, each offered by 29% of spas or more, includes dedicated wet areas (39%), locker rooms (29%) and complementary or alternative therapies (29%).
- Forty-two percent (42%) of spas in the Canadian industry report that they are open six days a week, making this the most common practice. However, significant portions are also open for seven days a week (31%) or five days a week (23%).
- Canadian spas overwhelmingly report (95%) that they are open to the general public and do not require membership.
- Canadian spas are ahead of their U.S. counterparts when it comes to applying environmentally sustainable practices. Eighty-six percent (86%) of Canadian spas report that they follow such practices compared to 76% in the U.S.

- Like the United States, the majority of spas still book solely by specific services (80%). However, at 20%, booking blocks of time is not an uncommon practice.
- The average revenue per spa in Canada is \$398,000 CDN. While the average is quite high, half of all spas generate less than the median revenue of \$175,000 CDN. As presented earlier in this chapter, anticipated revenue per spa for 2007 sits at \$433,000 CDN on average or a median of \$210,000 CDN. The average profit margin (before tax) in Canada in 2006 was 27.9%. The median was quite a bit lower at 18%, but is still quite strong. The profit margin should be interpreted with caution as a significant portion of respondents did not answer that question.
- The typical Canadian spa experienced 4,500 visits in 2006 or 15 visits per day. The larger spas bring the average to 6,500 visits or 20 visits per day. As seen in the United States, spas report that, on average, one-fifth (20%) of visits to their spas are made by male patrons and that 41% of visits are from clients they have not seen before (these may or may not be new spa-goers).
- Canadian spas employ an average of 10.9 persons, 62% of whom are full-time employees. One-quarter (25%) of employees in the spa industry are part-time. The median number of employees is six. The average spa generates CDN \$32,200 in revenue per employee and 43% of their revenue goes to payroll.
- Spas in Canada average just over 2,500 square feet of indoor spa. The median square footage is 1,800 square feet.
- The average price of a spa treatment in the Canada is \$63 CDN. The average cost per massage is \$71 CDN, while the average cost per facial is \$75 CDN.
- **Exhibit 7-11** also provides a series of revenue metrics that spas can use to gauge their performance. While only the averages are discussed here, medians are also presented in the exhibit for informational purposes. Overall (for the entire spa), Canadian spas generated an average of \$162 CDN per square foot in 2006. A closer look at specific spa components reveals that spas generated an average of \$193 CDN in treatment revenue per square foot of treatment room space or CDN \$34,000 in treatment revenue per treatment room. Similarly, they generated \$188 CDN in salon revenue per square foot of salon space or just over \$19,000 CDN per salon station.
- Spas reported an average revenue per visit of \$68 CDN and average retail spend of \$56 CDN per visit.

EXHIBIT 7-10 — CANADIAN SPA PROFILE BY SPA TYPE AND REGION

	Total Canada	SPA TYPE			REGION			
		Day Spa	Resort/ Hotel	Other†	British Columbia	Alberta	Ontario	Quebec
SPA TYPES:								
Day Spa	77%				67%	80%	83%	63%
Resort / Hotel Spa	17%				27%	13%	10%	32%
Medical Spa	3%				2%	4%	4%	1%
Club Spa	2%				1%	2%	2%	2%
Destination Spa	1%				2%	0.3%	1%	1%
Mineral Springs Spa	0.5%				0.5%	1%	0.3%	0.3%
REGION:								
British Columbia	19%	16%	29%	18%				
Alberta	11%	12%	8%	13%				
Prairies	4%	4%	4%	1%				
Ontario	45%	49%	25%	52%				
Quebec	15%	12%	28%	12%				
Atlantic	6%	6%	5%	5%				
FRANCHISE AFFILIATION:								
Franchisor	4%	3%	11%	2%	5%	4%	4%	4%
Franchisee	1%	1%	2%	0%	3%	0%	1%	2%
Not Affiliated With a Franchise	95%	96%	87%	98%	93%	96%	95%	94%
OWNERSHIP STRUCTURE:								
Sole Proprietor	58%	61%	50%	38%	38%	47%	61%	87%
Partnership	16%	15%	23%	14%	24%	11%	16%	8%
Small Corporation	25%	23%	24%	47%	38%	40%	21%	5%
Major Corporation	1%	1%	3%	0%	0%	2%	1%	0%
PRODUCTS OFFERED*:								
Treatment Rooms	100%	100%	100%	100%	98%	100%	100%	100%
Retail	86%	87%	82%	77%	86%	93%	89%	70%
Salon	76%	81%	67%	36%	77%	81%	76%	68%
Dedicated Relaxation Area	61%	55%	82%	80%	63%	65%	56%	77%
Dedicated Wet Area	39%	32%	73%	27%	43%	50%	29%	70%
Locker Rooms	29%	23%	54%	37%	23%	34%	25%	50%
Complementary/Alternative	29%	27%	33%	40%	24%	41%	28%	31%
Educational Programs/Workshops	21%	21%	18%	33%	19%	31%	23%	10%
Mind, Body and Spirit Programs	16%	10%	27%	53%	9%	17%	18%	15%
Medical	13%	14%	7%	17%	14%	10%	13%	16%
Lodging	11%	4%	42%	25%	9%	5%	10%	24%
Fitness or Sports Services	8%	5%	15%	27%	4%	3%	9%	12%
Restaurants	8%	1%	37%	16%	8%	0%	7%	19%
DAYS OPEN PER WEEK:								
Less than five days per week	5%	6%	0%	8%	2%	5%	4%	7%
Five days per week	23%	26%	12%	7%	16%	24%	25%	23%
Six days per week	42%	47%	18%	31%	41%	48%	45%	19%
Seven days per week	31%	20%	71%	54%	41%	23%	26%	51%
ACCESS**:								
Open to the general public	95%	94%	N/A	N/A	N/A	N/A	100%	N/A
Restricted to members	5%	6%	N/A	N/A	N/A	N/A	0%	N/A
APPLY ENVIRONMENTALLY SUSTAINABLE PRACTICES:								
	86%	86%	80%	100%	90%	95%	88%	68%
BOOKING OPTIONS:								
Specific services only	80%	80%	76%	96%	90%	80%	83%	63%
Can book blocks of time	20%	20%	24%	4%	10%	20%	17%	37%

Notes: Interpret results with caution due to small sample sizes.

Percentages may not sum to 100% due to rounding.

*Percentages sum to more than 100% due to multiple responses.

**Access question was asked to Internet respondents only.

†Other type of spa includes club spas, medical spas, mineral springs spas and destination spas. The Prairies and Atlantic regions are omitted due to small sample sizes.

EXHIBIT 7-11 — KEY SPA STATISTICS BY SPA TYPE AND REGION IN CANADA

	Total Canada	SPA TYPE			REGION			
		Day Spa	Resort/ Hotel	Other [†]	British Columbia	Alberta	Ontario	Quebec
REVENUE IN THOUSANDS:								
2006 Revenue – Average	\$398	\$391	\$314	\$664	\$383	\$537	\$409	\$322
2006 Revenue – Median	\$175	\$175	\$236	\$375	\$179	\$300	\$175	\$120
Anticipated 2007 Revenue – Average	\$433	\$432	\$337	\$859	\$433	\$846	\$405	\$245
Anticipated 2007 Revenue – Median	\$210	\$200	\$235	\$420	\$200	\$250	\$251	\$160
Profit Margin – Average	27.9%	28.7%	N/A	N/A	15.3%	47.2%	22.5%	44.8%
Profit Margin – Median	18%	15%	N/A	N/A	10%	40%	15%	33%
SPA VISITS:								
2006 Annual Spa Visits – Average	6,466	6,520	6,006	6,979	5,673	7,057	6,821	6,007
2006 Annual Spa Visits – Median	4,515	4,368	5,000	4,400	5,000	5,000	4,368	3,500
Anticipated 2007 Spa Visits – Average	6,775	6,796	7,130	4,874	5,757	10,494	5,855	7,302
Anticipated 2007 Spa Visits – Median	4,500	3,500	7,000	5,800	4,650	5,800	3,552	3,500
Average Daily Clients – Average	20.3	20.5	18.7	22.1	18.4	23.4	21.3	17.6
Average Daily Clients – Median	15	14	19	19	16	19	15	10
% Visits by New Clients – Average	41%	37%	55%	53%	41%	44%	38%	46%
% Visits by Male Clients – Average	20%	19%	26%	26%	19%	21%	18%	31%
EMPLOYMENT:								
Full-time Employees – Average	6.8	7.1	5.4	6.6	6.5	10.7	6.1	6.6
Full-time Employees – Median	4	4	4	5	4	5	4	4
Part-time Employees – Average	2.7	2.5	3.4	3.3	2.7	3.5	2.6	3.2
Part-time Employees – Median	2	1	2	1	2	1	1	2
Contract Employees – Average	1.4	1.2	2.0	1.5	1.3	1.2	1.6	1.2
Contract Employees – Median	0	0	0	0	0	0	0	0
% of Revenue to Payroll – Average	42.6%	42.4%	45.3%	N/A	41.6%	41.0%	45.6%	39.3%
% of Revenue to Payroll – Median	45%	45%	50%	N/A	48%	45%	50%	40%
SPA SPACE:								
Locations – Average	1.3	1.3	1.4	1.1	1.4	1.2	1.2	1.5
Locations – Median	1	1	1	1	1	1	1	1
Indoor Square Footage – Average	2,528	2,341	3,009	3,722	2,241	3,674	2,483	2,258
Indoor Square Footage – Median	1,800	1,800	1,800	1,800	1,500	2,000	1,800	1,500
AVERAGE PRICES:								
Average Price/Service	\$63	\$58	\$77	\$87	\$71	\$76	\$59	\$63
Average Price/Massage	\$71	\$69	\$81	\$78	\$83	\$77	\$71	\$63
Average Price/Facial	\$75	\$72	\$81	\$88	\$85	\$84	\$75	\$64
REVENUE RATIOS:								
Revenue Per Sq. Ft. – Average	\$162	\$158	\$186	\$161	\$183	\$162	\$158	\$167
Revenue Per Sq. Ft. – Median	\$113	\$109	\$129	\$93	\$129	\$102	\$131	\$67
Treatment Rev. Per Sq. Ft. – Average	\$193	\$184	\$283	N/A	\$223	\$216	\$149	\$247
Treatment Rev. Per Sq. Ft. – Median	\$130	\$122	\$224	N/A	\$146	\$111	\$122	\$80
Salon Revenue Per Sq. Ft. – Average	\$188	\$187	N/A	N/A	\$119	N/A	\$182	N/A
Salon Revenue Per Sq. Ft. – Median	\$137	\$133	N/A	N/A	\$110	N/A	\$169	N/A
Treatment Rev. Per Room – Average	\$34,041	\$33,947	\$31,246	N/A	\$26,621	\$46,479	\$30,479	\$37,969
Treatment Rev. Per Room – Median	\$23,333	\$23,333	\$22,000	N/A	\$15,625	\$37,500	\$23,333	\$25,138
Salon Revenue Per Station – Average	\$19,250	\$20,349	N/A	N/A	\$8,632	N/A	\$19,606	N/A
Salon Revenue Per Station – Median	\$13,125	\$13,125	N/A	N/A	\$8,000	N/A	\$13,125	N/A
Revenue Per Visit – Average	\$68	\$68	\$58	\$85	\$75	\$72	\$69	\$64
Revenue Per Visit – Median	\$52	\$50	\$54	\$56	\$43	\$70	\$50	\$54
Revenue Per Employee – Average	\$32,224	\$32,740	\$25,527	\$41,846	\$33,754	\$30,543	\$34,605	\$26,148
Revenue Per Employee – Median	\$25,000	\$25,000	\$25,000	\$33,333	\$29,000	\$24,000	\$27,027	\$25,000
Avg. Retail Spend Per Visit – Average	\$56	\$54	\$44	\$121	\$51	\$63	\$61	\$53

Note: Averages represent the average values for the given item while medians represent the midpoint (i.e., 50% of responses fall below the median and 50% are above the median).

Interpret spa type and region results with caution due to small sample sizes.

†Other type of spa includes club spas, medical spas, mineral springs spas and destination spas. The Prairies and Atlantic regions are omitted due to small sample sizes.

Treatment revenue per square foot and treatment room is based on treatment revenue and space only.

Salon revenue per square foot and station is based on salon revenue and space only.

All dollar values are reported in Canadian dollars.

For informational purposes, **Exhibits 7-12** and **7-13** provide details regarding the various service offerings of spas in Canada.

EXHIBIT 7-12 — CANADIAN TREATMENT ROOM SERVICE OFFERING DETAILS BY TYPE AND REGION

	Total Canada	SPA TYPE			REGION			
		Day Spa	Resort/ Hotel	Other [†]	British Columbia	Alberta	Ontario	Quebec
TREATMENT ROOM SERVICES OFFERED:								
Massage	94%	92%	100%	98%	93%	98%	91%	97%
Hydrotherapy	53%	48%	63%	82%	43%	46%	48%	87%
Facials	94%	95%	88%	95%	86%	95%	98%	92%
Body Treatments (wraps & scrubs)	89%	89%	91%	92%	81%	93%	89%	98%
MASSAGE SERVICES OFFERED*:								
Reflexology	60%	58%	72%	51%	53%	65%	56%	82%
Shiatsu	22%	19%	27%	48%	30%	12%	17%	45%
Deep Tissue/Sports	64%	58%	81%	88%	69%	83%	54%	81%
Swedish	77%	72%	90%	95%	89%	68%	72%	92%
Pregnancy	64%	58%	83%	84%	48%	77%	61%	87%
Couples Massage	48%	45%	66%	30%	55%	52%	44%	49%
Thai	18%	17%	24%	3%	11%	25%	15%	34%
Stone	73%	69%	81%	95%	75%	75%	71%	81%
HYDROTHERAPY SERVICES OFFERED*:								
Swimming Pool	17%	7%	48%	19%	7%	6%	15%	37%
Steam/Sauna	52%	43%	83%	42%	67%	60%	49%	55%
Whirlpool/Hot Tub	30%	29%	44%	7%	9%	22%	28%	42%
Baths	54%	57%	50%	47%	44%	56%	38%	83%
Vichy Shower	38%	38%	30%	65%	42%	50%	34%	45%
NUMBER OF TREATMENT ROOMS**:								
Total	5.4	5.2	6.5	6.0	5.1	6.7	4.8	7.4
Massage	3.0	2.8	4.1	2.7	3.0	3.7	2.6	4.4
Hydrotherapy/Wet Treatments	1.5	1.5	1.7	1.7	1.7	1.5	1.4	1.7
Facials	2.7	2.7	2.6	2.5	2.8	3.3	2.6	2.2
Body treatments	2.4	2.3	3.1	2.1	3.1	2.4	2.0	2.8
Other	2.0	1.9	2.2	N/A	2.3	2.3	1.9	1.9

Notes: Interpret spa type and region results with caution due to small sample sizes.

†Other type of spa includes club spas, medical spas, mineral springs spas and destination spas. The Prairies and Atlantic regions are omitted due to small sample sizes.

*Base is those who offer services.

**Base is those who offer treatment rooms.

EXHIBIT 7-13 — CANADIAN OTHER SERVICE OFFERING DETAILS BY TYPE AND REGION

	Total Canada	SPA TYPE			REGION			
		Day Spa	Resort/Hotel	Other†	British Columbia	Alberta	Ontario	Quebec
SALON SERVICES OFFERED: (among all spas)								
Hair Treatments	36%	40%	23%	18%	33%	33%	39%	26%
Manicure	72%	78%	62%	33%	73%	81%	72%	66%
Pedicure	73%	77%	65%	36%	74%	81%	72%	66%
Makeup Services	56%	61%	39%	33%	53%	62%	58%	41%
SALON SERVICES OFFERED*: (among spas offering salon services)								
Hair Treatments	48%	50%	35%	N/A	43%	41%	51%	38%
Manicure	96%	97%	93%	N/A	96%	100%	95%	97%
Pedicure	96%	96%	97%	N/A	98%	100%	95%	97%
Makeup Services	74%	76%	58%	N/A	70%	77%	77%	60%
NUMBER OF SALON STATIONS*:								
Total	5.5	5.8	3.8	N/A	5.0	6.8	6.3	3.5
Hair	5.2	5.6	2.8	N/A	4.1	6.4	6.0	N/A
Manicure	2.3	2.3	2.3	N/A	2.5	2.6	2.4	1.7
Pedicure	2.5	2.4	2.8	N/A	2.8	2.9	2.4	1.6
COMPLEMENTARY OR ALTERNATIVE THERAPIES OFFERED*:								
Acupuncture	21%	16%	11%	N/A	32%	17%	28%	0%
Rieki	53%	54%	48%	N/A	25%	58%	55%	55%
Chiropractic	9%	9%	15%	N/A	7%	6%	9%	17%
Ayurvedic	17%	15%	30%	N/A	13%	6%	23%	17%
MIND, BODY AND SPIRIT PROGRAMS OFFERED*:								
Yoga	74%	56%	97%	87%	N/A	N/A	81%	N/A
Tai Chi	25%	22%	31%	24%	N/A	N/A	17%	N/A
Meditation	35%	39%	31%	33%	N/A	N/A	38%	N/A
Relaxation Classes	36%	17%	41%	76%	N/A	N/A	35%	N/A
OFFER MEDICAL TREATMENTS:	13%	14%	7%	14%	14%	10%	13%	16%
RETAIL PRODUCTS SOLD*:								
Apparel	20%	22%	17%	12%	25%	21%	17%	20%
Skin Care Products	96%	95%	100%	94%	100%	97%	98%	91%
Hair Care Products	45%	46%	45%	27%	48%	43%	45%	27%
Cosmetics	60%	62%	49%	70%	68%	64%	59%	41%
Nail Care Products	76%	76%	78%	70%	82%	77%	81%	42%
Body Care Products	84%	82%	91%	88%	92%	87%	81%	80%
BRANDED RETAIL PRODUCTS SOLD*:	28%	25%	48%	26%	36%	16%	17%	85%
PACKAGES OFFERED:								
Children	23%	20%	26%	52%	19%	18%	22%	29%
Teens	37%	35%	32%	79%	38%	25%	38%	36%
Families	23%	20%	27%	49%	14%	15%	23%	35%
Men	53%	48%	63%	80%	60%	54%	53%	52%
Different Ethnicities	15%	13%	18%	21%	10%	7%	15%	21%
Pregnancy	37%	34%	46%	56%	27%	42%	33%	55%
Couples	49%	44%	64%	70%	53%	44%	45%	58%
Seniors	28%	24%	40%	42%	28%	27%	27%	29%
OFFER LOCAL/INDIGENOUS TREATMENTS:	27%	22%	43%	39%	25%	26%	22%	48%

Notes: Interpret spa type and region results with caution due to small sample sizes.

†Other type of spa includes club spas, medical spas, mineral springs spas and destination spas. The Prairies and Atlantic regions are omitted due to small sample sizes.

*Base is those who offer services.

Employment Challenges in the Canadian Spa Industry

A summary of some employment challenges being faced in the Canadian spa industry is presented in **Exhibit 7-14**. Interestingly, the results for management turnover in Canada are almost identical to the U.S. findings. More specifically, approximately one-third (33%) of Canadian spas reported that they have made at least one staffing move regarding management in the past year. Moreover, 28% hired management staff to new positions while 12% lost staff and 17% replaced management staff. Like the United States, the root cause may be poor staff hirings, a lack of qualified staff and/or a function of industry growth. Regardless of the cause, these results indicate a high degree of turnover that pose a significant challenge for spas.

EXHIBIT 7-14 — EMPLOYMENT CHALLENGES IN CANADA BY TYPE AND REGION

	Total Canada	SPA TYPE			REGION			
		Day Spa	Resort/ Hotel	Other†	British Columbia	Alberta	Ontario	Quebec
MANAGEMENT TURNOVER:								
Hired management staff to new positions	28%	25%	42%	19%	43%	34%	27%	10%
Lost management staff	12%	10%	25%	1%	28%	22%	9%	2%
Replaced management staff	17%	15%	26%	15%	28%	35%	14%	4%
None of the above	67%	69%	50%	76%	53%	49%	69%	84%
PERCENT OF SPAS WITH OPEN STAFF POSITIONS:								
At Least One Open Position	70%	70%	65%	84%	61%	76%	75%	82%
Spa Director/Manager	45%	46%	34%	60%	36%	38%	62%	9%
Other Management	27%	27%	18%	53%	32%	31%	30%	7%
Massage Therapist	45%	41%	49%	82%	30%	57%	51%	32%
Esthetician	57%	56%	54%	76%	49%	67%	70%	25%
Nail Technicians	36%	37%	30%	39%	28%	45%	43%	16%
Front Desk/Reception	42%	44%	38%	34%	38%	45%	52%	19%
NUMBER OF UNSTAFFED POSITIONS:								
Spa Director/Manager	0.6	0.6	0.4	0.7	0.5	0.4	0.8	0.1
Other Management	0.4	0.3	0.3	0.7	0.4	0.4	0.4	0.1
Massage Therapist	1.1	0.9	2.2	1.5	1.0	1.6	1.1	1.0
Esthetician	1.8	1.9	1.5	1.6	1.4	2.3	2.2	0.6
Nail Technicians	0.7	0.7	0.8	0.5	0.6	0.7	1.0	0.2
Front Desk/Reception	1.0	1.0	1.1	0.9	1.0	1.3	1.1	0.6

Notes: Interpret spa type and region results with caution due to small sample sizes.

†Other type of spa includes club spas, medical spas, mineral springs spas and destination spas. The Prairies and Atlantic regions are omitted due to small sample sizes.

Also shown in the exhibit is the portion of spas that have positions open as well as the average number of positions open per spa. In Canada, 70% of spas report that they have an open staff position (among those surveyed). While spas report shortages at all positions, the position most commonly open for Canadian spas is the esthetician at 57%. The next tier of openings includes spa directors/managers (45%), massage therapists (45%), front desk/reception (42%).

The average of 1.8 esthetician openings per Canadian spa translates into a total industry shortage of approximately 5,100 estheticians. Like the United States, there is clearly a significant staffing shortage in spas in Canada. Total estimated shortages at other positions include:

- massage therapist – 3,100
- front desk/reception – 2,800
- nail technicians – 2,000
- spa director/manager – 1,700
- other management – 1,100

As in the U.S., these shortages cannot be added together as people can work more than one position.

VIII. INDUSTRY TRENDS AND ISSUES

NOTE: In-depth interviews were not conducted as part of the *2007 Spa Industry Study*. Accordingly, the following analysis is a summary based on interviews conducted in the fall of 2006 for the *2006 Spa Industry Statistics* study.

Despite predictions that the spa industry could not sustain the rapid expansion that has characterized it through recent years, the spa industry continues to be healthy. As the spa sector continues to evolve, it is becoming mainstream – an accepted way of life that is far more than just pampering. With its increased focus on health and wellness, the spa concept has evolved into a lifestyle choice that many people are now buying into. The spa industry is in many ways maturing.

The following section summarizes the results of 10 in-depth interviews conducted in the fall of 2006 with spa industry professionals from across the United States and Canada on behalf of ISPA by the Association Resource Centre Inc. The objectives of this research were twofold — to take a current high-level snapshot of the industry in its current state of evolution and to determine the extent to which it has changed since the last industry study was completed in 2004. The areas addressed cover a wide range of topics including industry growth, employment trends, consumer behavior, regulation and product and service trends.

It is important to note, due to the small sample size, that the following results should be interpreted with caution.

Industry Trends

Growth

Despite the predictions in 2004 that the “exploding” growth of the spa industry was bound to cause oversaturation within the market, the meltdown does not appear to have taken place despite the fact that many spas, particularly in the day spa sector, no longer exist. While a few professionals continue to report annual growth in the 30% plus range, the general trend appears to be that that new spas are opening up faster than marginally profitable spas are exiting the industry but that the growth in locations is not being matched by a growth in demand. The results of the 2007 study support this view.

For the most part, however, interviewees no longer described spa sector growth as “exponential” or “exploding,” but instead saw it to be expanding at a steady pace. While several individuals (in 2006) still expected a “leveling off” to occur, they agreed that the spa industry was “still growing.”

Note: In-depth interview results are from the 2006 Spa Industry Statistics study.

Spa Sector Expansion

In stark contrast to 2004 when interviewees predicted that day spas would continue to enjoy extensive growth over the coming years, those interviewed this time around singled out the day spa sector as the category experiencing the most saturation and hence the most difficulty. Many feel if it were not for the number of new day spas opening up, the day spa segment would be in decline as unprofitable spas are forced to close down.

If the day spa sector is “in a squeeze,” the resort/hotel spa sector is picking up the slack, at least in terms of new locations. It seems as if “every resort is putting in a spa” – and it is really starting to pay off, particularly for some of the bigger chains.

The counter view expressed by several interviewees, however, is that hotel spas are not all attracting enough traffic to make for a convincing business case. It is felt by some that hotels are finding themselves in a catch-22 situation because consumers now “expect” hotels to offer spa services much as they “expect” to have access to fitness facilities when they stay at a hotel. Hotels have little choice but to add spa facilities and many are having trouble attracting sufficient business from this source.

Medical spas were also singled out by several interviewees as a sector that is currently “going crazy” in terms of growth, a trend that is expected to continue into “the foreseeable future.”

Other trends related to spa sector growth are:

- A growing number of single-owner businesses are being replaced by “operations run by two or more owners.”
- The recent success enjoyed by the resort/hotel spa sector is causing destination spas to “have a tough time” as resorts take over the majority of the spa traveler market.
- Increased competition within the resort/hotel spa sector is forcing them to become “more savvy as marketers” in order to grow their consumer base beyond “their hotel patrons.” Some are beginning to “reach out to their community and (are) allowing locals to come in and enjoy their services.”

While there are many possible reasons to explain why the spa industry is still growing, the integration of the spa concept into mainstream U.S./Canada culture appears to be the dominant reason why the sector continues to thrive. The term “spa” is coming to mean more than just “pampering” and is now a “way of life” for many:

- In an era where issues like obesity, stress, and environmental toxins have become serious concerns, many are incorporating “lifestyle” elements including fitness, diet and overall health, into the traditional treatment-based spa concept.

Note: In-depth interview results are from the 2006 Spa Industry Statistics study.

- The term “spa” is being incorporated into a diverse number of products and services. Linking itself to everything from “spa cuisine” to “spa friendly” skin care and cosmetics, “spa” is becoming a household word.

The Major Industry Players

Who They Are

The major players in the North American spa industry continue to be the “big” names, particularly in the resort/hotel spa sector. While there is some concern that, with their increased operating costs and the growing levels of competition within the sector, “some resorts are still struggling to make their spas viable,” most agree that Canyon Ranch and Golden Door continue to be the “icons” of the spa sector.

Other top industry players continue to include household names such as Ritz Carlton, Fairmont and Starwood. Additional names mentioned included Sheraton, Red Mountain, Elemis and Rancho La Puerta. Cruise line spa operator Steiner Leisure also made the list.

As was the case in 2004, there “are not many new players” to watch for over the next couple of years. As the bigger players “get smart about multiple spas and branding” and “centralize their strategic planning to ensure a consistent experience at all locations,” the consensus continues to be that the big names will continue to enjoy cost efficiencies and, as a result, will continue to “pick up steam.”

Investor Trends

For the first time, industry professionals suggested that it is getting easier to convince investors to loosen their purse strings. The integration of the spa concept into various facets of North American culture is turning the term “spa” into a lifestyle. Investors are beginning to see this and, seeing new potential, are starting to buy into the concept. In addition, in the words of one interviewee, “spas have finally learned how to turn a profit.”

Mergers and Consolidations

Generally speaking, the consolidation taking place within the spa industry itself continues to occur among the major players who are “looking to add more to their portfolios.” Beyond this, however, there are a growing number of new kinds of alliances taking place as the spa industry extends itself into non-traditional areas:

- As spas become mainstream, more product line manufacturers such as American Express, Coca Cola/Dasani Water and Splenda, to name a few, are looking to cross-market their brands with the “spa lifestyle” concept.
- The medical industry in general and the plastic surgery sector in particular are beginning to incorporate spa treatments such as naturotherapy and acupuncture into their service structure.

Note: In-depth interview results are from the 2006 Spa Industry Statistics study.

- There is increased cooperation between the spa sector and the skin care industry with some skin care brands allowing hotels and spas to market their products using their own brands. The Canyon Ranch line of skin care products is one such example.
- Real estate developers are also getting into the game by building “residential spas” into the gated communities and high-end condominiums they are building.
- Some businesses are starting to merge the spa concept with entertainment. Examples include one New York spa that now doubles as a night club along with other spas that are starting to use their facilities for various after-hours social activities, with considerable success.

Consumer Behavior

To a significant extent, the same trends that dictated consumer behavior in 2004 continued to dominate in 2006. Following are some interviewee comments:

- As more people buy into the “spa experience,” patrons expect more from their spa visit than simply being “pampered.” As the concept is increasingly being linked to lifestyle decisions based on health and wellness, “patrons now look for spas before deciding where to hike, play golf, etc.”
- Consumers want results. Whether they are looking for stress reduction, relief from chronic pain or want to look younger, people continue to buy into the spa experience because they are aware of, and expect to see, the benefits that spa treatments can bring.
- Using spas to fight the aging process continues to be a key consumer motivator. Spa visitors want treatments that help them “look good for their age,” and are willing to pay top dollar to get them.
- Consumers continue turning to spas to help them “de-stress,” and to get a break from the “hectic pace” of their everyday lives.
- People are “making their investments cover more experiences over a year.”
- Consumers are starting to use spas as venues for social interaction. Corporate group and “girlfriend getaways,” in particular, were cited as growing trends.
- While spas initially tended to be “everything to everyone,” consumers are now looking for experiences tailored specifically to their demographic.
- Despite previous predictions, the majority of spa visitors continue to be female. Some spa owners, however, are growing their male customer base by providing facilities exclusively for men and marketing specifically to their demographic by offering services like plasma televisions, work stations and wireless technology.

Note: In-depth interview results are from the 2006 Spa Industry Statistics study.

The Legal and Regulatory Environment

As in 2004, spa industry regulation continues to vary significantly between regions. On a federal level, involvement continues to be negligible, with at least one interviewee feeling that there had been “nothing national” in terms of spa-related government initiatives. Again mirroring 2004, there was no overriding theme among the legal issues spa owners faced. Some comments:

- In some areas, ingredients in skin care and sun products are becoming better regulated, allowing consumers to “have more confidence in the products they use.”
- There is legislation pending in some states requiring therapists to increase their number of practice hours before they can become licensed.
- Some feel there has been too much “softening of legislative requirements,” particularly with regard to health inspections in some regions. The decreased regulation in this particular area is seen by some to have a detrimental effect on the industry as a whole, as poor health and sanitation practices by some spas have the potential of giving spas a bad reputation across the state.
- In an increasingly litigious society, spas are constantly measuring their actions against potential risk. More than ever, spas must be careful about the claims they make when it comes to their products and services.

Some spas that provide paramedical treatments are finding it difficult to get adequate insurance coverage. When one interviewee began looking into offering botox, they found that “the insurance company wouldn’t cover the spa even though it had licensed practitioners.”

Industry Trends

New Products and Services

With regard to new products and services, the spa industry is continuing the trend from 2004 with several new offerings taking the sector by storm:

- **Paramedical Treatment and Skin Care Product Lines** are growing in popularity. While they are seen by some to be potentially very lucrative, the high cost of the technology required to keep current makes it difficult for some of the smaller spas to offer services in this area.
- **Terms like “natural” and “organic” are the new buzzwords** in skin care treatment and products. This “return to nature” is manifesting itself in many forms, including “detox culinary services,” “organic” skin care lines and “mineral makeup.”
- **“Team types” of treatments** that use two or more therapists is also seen as being on the rise although it is felt by some that “many people are ripping off the concept.”

Note: In-depth interview results are from the 2006 Spa Industry Statistics study.

- **The evolution of skin care from a product-based service to an experience-based service** is another trend to watch for. New facial treatments are focusing on creating an experience for the consumer “based on how the product is put on and taken off the skin” by incorporating elements like massage into the service. As one individual testified, “when guests receive the total treatment, they love it.” Also, the retail price of the product is included as a component of the overall cost of the experience.
- **New techniques in skin rejuvenation** that use LED technology has some spa professionals very excited about the future of skin care. Lauded as “non-invasive” and “reasonably priced” this new method, according to some, has been “proven” to “reverse skin damage” and is seen to be a real “breakthrough” in aesthetics.

Top Industry Trends and Issues

There was very little consensus among interviewees when we asked them to rank the top issues for the industry. Following are some of the important trends and issues to watch for according to those we spoke with:

If there is one thing that interviewees agree on, it is that **poor eating habits and obesity is a major issue in North America** today and is expected to have a significant impact on the spa industry for some time to come. There is concern, with the exception of “lifestyle” type spas, that many day spas are said to have moved away from the fitness aspect of the spa experience altogether. The hope is that other segments of the industry will respond to this issue by “making fitness more important” and by increasing their focus on “preventative health, nutrition, etc.”

Intense competition within the industry is having both positive and negative effects on the spa sector. Some adhere to the adage that “pressure makes diamonds” and feel this increased competition has spurred industry players to get creative and become “more sophisticated” in their product and service offerings. Others, however, are concerned that the original “spa concept” and the “mom and pop” approach that was the foundation of the industry are being lost by some who “are losing sight of why they got into business.”

Training is an area that continues to be lacking, particularly in an era where the technology being used to treat clients is constantly changing and becoming more complicated. As one interviewee explained, “training is important so that therapists in spas can feel comfortable providing the spa services. Manufacturers should offer a training package when they sell machines.”

The spa concept is being integrated into cultural behavior. It will be important in the months and years to come to nurture this trend by establishing and developing alliances and agreements across new societal sectors. By developing mutually beneficial relationships with professionals such as “naturopathic nurses, unions (and) psychologists,” the spa industry has a real opportunity to “solidify” its role within North America’s culture. ISPA is seen as an organization that could take the lead in developing such an initiative.

Note: In-depth interview results are from the 2006 Spa Industry Statistics study.

Spa treatments can be expensive and, as they become more “sophisticated,” fewer people will be able to afford spa services. Some are concerned that “**someone will go for the mass market**” and start the process of converting spa treatments into commodities that are bought on a price basis rather than on the basis of the quality of the overall experience.

Deep discounting of spa services by “big box” stores, often at prices below that at which spas can profitably offer the service, could have a significant impact on the spa industry. This is a practice that could open up spa services more readily to the mass market and, in the process, start turning the spa experience into a lower priced commodity. For those who do not wish to be forced into competing on a price basis, they will have to pay even more attention to the value-added components of their service offerings, particularly if deep discounting forces some spas into lowering their quality in order to be able to offer lower prices.

Residential spas are a “new kid on the block” and are already enjoying considerable success, particularly in the high-end condo and gated community markets in areas like coastal Florida. As the opportunity becomes more widely understood and embraced by real estate developers, there is expected to be a significant increase in the number of spas that are being incorporated into new housing projects.

Note: In-depth interview results are from the 2006 Spa Industry Statistics study.

IX. CONCLUSIONS

A number of conclusions and industry implications can be drawn from the study findings. The following is a summary of key conclusions and implications for the United States and Canadian spa industries:

- ***The number of locations continue to grow at a steady pace, however the rate is slowing.*** From 1999 to 2006, the number of spas in the United States grew at a robust average of 21% per year. The net increase in U.S. locations continues to average about 1,600 spas per year. However, because the actual number of spas entering the industry is remaining relatively constant and the base (total industry size) is growing, the result is a percentage growth rate that has been declining the past few years and was actually negative for the first seven months of 2007.
- ***The industry appears to be experiencing a high degree of turnover.*** Random telephone calls during the telephone survey revealed that as many as 14% of spa businesses from the ISPA inventory, while still in business, no longer qualify as a spa. This is in addition to the 2% to 3% that are usually found to be out of business. However, there are enough new businesses entering the industry to make up for this turnover as well as continue the growth.
- ***Stable demand combined with growth in locations means lower average visits per spa.*** Since 2001, the U.S. spa industry has seen total visits hover in the 109 million to 131 million range. With stability in demand and a growing number of locations, spas have seen a decline in average visits, revenue and employees per spa in recent years. However, the lower averages appear to be attributable to the newer spas entering the industry as opposed to the more established spas that have been around for many years.
- ***Despite declining industry revenues, the industry is healthier than it was a year ago.*** Findings show that over the past several years, spas have been increasing their revenue per visit and ultimately their profit margins. This greater focus on the bottom line translates into total industry profits rising consistently since 2003. In other words, despite lower revenues, spas have become more efficient and more profitable.
- ***As the industry is maturing, it is also evolving.*** While it is difficult to say if the spa industry (or any industry) has reached maturity, it is evident that the industry has been maturing. As evidenced by the growth rates in medical and resort/hotel spas, this maturing has led many to seek differentiation. In addition, evolution can be seen in the industry with new spa types emerging such as mobile spas and community/residential spas. If the growth rates in the different sectors persist, the industry will see a gradual shift away from day spas toward the niche segments.
- ***Day spas continue to dominate – but for how long?*** In keeping with the previous point, the fastest-growing sectors are resort/hotel spas and medical spas. While it is unlikely that day spas will ever be outnumbered by other spa types, the disparity in per-spa revenue between day

spas and other spa types is significant. The question is, how long before day spas account for less than half the industry's total revenue? In-depth interviews in 2006 suggested that day spas may struggle in the coming years with the intense competition.

- ***The Canadian spa industry is experiencing steady growth.*** While more historical data are needed to gain a true picture of what is going on in the Canadian spa industry, the data that are available indicate a very healthy industry. While the industry is growing rapidly, the pace appears to be manageable. Specifically, growth in locations has not had many significant peaks or valleys, rather the grow rate tends to hover around the 10-year average of 17%. Overall, the industry is seeing growth in all key areas. At the per spa level, visits continue to grow while revenue and employment are fairly steady.
- ***Human resource challenges are relatively unchanged.*** According to in-depth interviews with industry executives in 2006, many of the same human resource issues still exist and center around the number of qualified staff available. While survey results do not point to a major problem in this area, the average spa does appear to have several positions open. Spas report that for the most part the service delivery positions are the most difficult to staff with nail technician positions rating as slightly more difficult than other positions.

According to the executives interviewed in 2006, the North American spa industry is maturing. As a greater number of profit-focused organizations have entered the market, they have forced the rest of the industry to become more aware of the financial bottom line and what it takes to generate a sustainable profit. While it is difficult to confirm industry maturity, these views are generally supported by the results of the *2007 Spa Industry Study*.

Two factors appear to have contributed to the maturing of the North American spa industry. The first has already been mentioned – the increased focus on the bottom line. The second factor has more to do with the maturing of the market than it does with the maturing of the industry. The spa experience is weaving its way into every walk of day-to-day life and this is resulting in an increasing array of non-traditional partnerships, the rapidly increasing interest in spas on the part of residential real estate developers being a prime example.

Importantly for the industry, *the increased competition has forced spa owners to become better business people.* It has also forced manufacturers and product distributors to become more creative and innovative in their marketing and branding initiatives. And all of this has led to an increased level of awareness on the part of investors who are now much more willing to invest in worthwhile spa projects.

The spa industry has much more business acumen than it did just a few short years ago. To remain on the leading edge and be competitive, spa owners in the future will need to be even more proficient in this regard. The good news is that if past history is any indicator, this is definitely one industry that will be more than up to the challenge. It would not have evolved to this point had that not been the case. The next few years should be quite exciting as the spa industry continues to grow and reinvent itself.

APPENDIX – ADDITIONAL SEGMENT PROFILES

The following pages provide a series of profile tables for breakdowns that are not included in the body of the report. These are intended to provide readers with a different vantage point from which to view the data and compare their own spa. As with other profiles, segment data should be interpreted with caution due to small sample sizes. Profiles are provided for the following segment groups:

- *Country*: While the overall findings for the United States and Canada are provided in the report, they are not presented together. To help readers compare the two countries, a summary profile for each country is presented side by side in this appendix.
- *ISPA Membership*: This profile breaks respondents into two groups, ISPA members and nonmembers.
- *Day vs. Stay*: While ISPA's spa definitions cover seven spa types, some prefer to use only two based on whether accommodation is offered or not. The "Stay Spa" segment includes all resort/hotel spas and destination spas. In addition, any spa that offers lodging was added to this group. The remaining respondents were grouped under "Day Spa."
- *Spa Revenue*: For this profile, spas were grouped into five groups based on their annual revenue.

With the exception of the country data, all data in this appendix is based on the U.S. industry only.

SPA PROFILE BY COUNTRY, ISPA MEMBERSHIP AND DAY VS. STAY						
	Total U.S.	Total Canada	ISPA Member	Non-Member	Day Spa	Stay Spa
SPA TYPE:						
Club Spa	3%	2%	7%	3%	3%	2%
Day Spa	80%	77%	35%	83%	89%	8%
Destination Spa	0.5%	1%	2%	1%	0%	5%
Medical Spa	7%	3%	3%	7%	7%	2%
Mineral Springs Spa	0.3%	0.5%	0%	0.4%	0.3%	1%
Resort / Hotel Spa	9%	17%	54%	7%	0%	83%
REGION:						
North East	23%	N/A	12%	24%	24%	19%
South East	20%	N/A	25%	20%	20%	21%
North Central	17%	N/A	15%	18%	19%	9%
South Central	10%	N/A	4%	11%	11%	8%
North West	6%	N/A	6%	5%	5%	7%
South West	23%	N/A	38%	22%	21%	37%
FRANCHISE AFFILIATION:						
Franchisor	2%	4%	6%	2%	2%	3%
Franchisee	2%	1%	3%	2%	2%	3%
Not Affiliated With a Franchise	95%	95%	92%	96%	96%	94%
OWNERSHIP STRUCTURE:						
Sole Proprietor	39%	58%	17%	40%	41%	25%
Partnership	11%	16%	11%	11%	12%	6%
Small Corporation	44%	25%	53%	43%	44%	41%
Major Corporation	6%	1%	17%	5%	3%	25%
Other	1%	0%	1%	1%	0.2%	4%
PRODUCTS OFFERED*:						
Treatment Rooms	100%	100%	100%	100%	100%	100%
Retail	89%	86%	95%	89%	90%	82%
Salon	74%	76%	84%	74%	75%	71%
Dedicated Relaxation Area	61%	61%	80%	60%	58%	81%
Dedicated Wet Area	36%	39%	74%	34%	31%	76%
Locker Rooms	33%	29%	73%	31%	29%	69%
Educational Programs and Workshops	32%	21%	46%	31%	31%	39%
Complementary or Alternative Therapies	31%	29%	41%	30%	31%	35%
Mind, Body and Spirit Programs	19%	16%	37%	18%	16%	47%
Medical	14%	13%	10%	15%	15%	6%
Fitness or Sports Services	13%	8%	51%	11%	8%	54%
Lodging	10%	11%	49%	7%	0%	83%
Restaurants	8%	8%	44%	6%	1%	62%
DAYS OPEN PER WEEK:						
Less than five days per week	3%	5%	0%	3%	3%	2%
Five days per week	30%	23%	0%	32%	33%	5%
Six days per week	38%	42%	15%	39%	41%	8%
Seven days per week	30%	31%	86%	27%	23%	86%
ACCESS**:						
Open to the general public	98%	95%	88%	99%	97%	99%
Restricted to members	1%	5%	2%	0.2%	1%	1%
Primarily members, but public too	2%	0%	10%	1%	2%	0%
APPLY ENVIRONMENTALLY SUSTAINABLE PRACTICES:						
	76%	86%	64%	76%	76%	71%
BOOKING OPTIONS:						
Specific services only	76%	80%	81%	76%	77%	76%
Can book blocks of time	24%	20%	19%	24%	23%	25%

Notes: Interpret segment results with caution due to small sample sizes.
 Percentages may not sum to 100% due to rounding.
 *Percentages sum to more than 100% due to multiple responses.
 **Access question was asked to Internet respondents only.

KEY SPA STATISTICS BY COUNTRY, ISPA MEMBERSHIP AND DAY VS. STAY

	Total U.S.	Total Canada*	ISPA Member	Non- Member	Day Spa	Stay Spa
REVENUE IN THOUSANDS:						
2006 Revenue – Average	\$624	\$398	\$2,116	\$514	\$496	\$1,578
2006 Revenue – Median	\$250	\$175	\$1,100	\$200	\$210	\$680
Anticipated 2007 Revenue – Average	\$847	\$433	\$2,521	\$703	\$661	\$2,156
Anticipated 2007 Revenue – Median	\$375	\$210	\$1,400	\$300	\$300	\$1,000
Profit Margin – Average	17.4%	27.9%	20.3%	17.1%	16.4%	26.1%
Profit Margin – Median	10%	18%	14%	10%	10%	24%
SPA VISITS:						
2006 Annual Spa Visits – Average	7,353	6,466	17,219	6,695	6,761	11,928
2006 Annual Spa Visits – Median	3,900	4,515	14,560	3,640	3,744	6,400
Anticipated 2007 Spa Visits – Average	7,654	6,775	18,340	6,892	7,000	12,418
Anticipated 2007 Spa Visits – Median	5,000	4,500	18,000	4,000	5,000	6,000
Average Daily Clients – Average	23	20.3	48	21	22	33
Average Daily Clients – Median	14	15	41	12	14	19
% Visits by New Clients – Average	39%	41%	41%	39%	37%	55%
% Visits by Male Clients – Average	21%	20%	25%	21%	21%	26%
EMPLOYMENT:						
Full-time Employees – Average	8.0	6.8	19.6	7.3	7.0	16.4
Full-time Employees – Median	5	4	15	4	4	9
Part-time Employees – Average	5.0	2.7	16.4	4.4	4.1	12.4
Part-time Employees – Median	3	2	11	3	3	7
Contract Employees – Average	2.9	1.4	5.0	2.8	2.8	3.8
Contract Employees – Median	0	0	0	0	0	0
% of Revenue to Payroll – Average	40.1%	42.6%	47.8%	39.5%	39.5%	44.4%
% of Revenue to Payroll – Median	45%	45%	48%	43%	45%	46%
SPA SPACE:						
Locations – Average	1.6	1.3	2.2	1.5	1.5	2.5
Locations – Median	1	1	1	1	1	1
Indoor Square Footage – Average	3,843	2,528	10,019	3,452	3,097	9,783
Indoor Square Footage – Median	2,100	1,800	7,000	2,000	2,000	5,000
AVERAGE PRICES:						
Average Price/Service	\$79	\$63	\$105	\$77	\$75	\$107
Average Price/Massage	\$77	\$71	\$105	\$76	\$73	\$106
Average Price/Facial	\$80	\$75	\$111	\$78	\$77	\$107
REVENUE RATIOS:						
Revenue Per Sq. Ft. – Average	\$165	\$162	\$290	\$155	\$165	\$160
Revenue Per Sq. Ft. – Median	\$109	\$113	\$233	\$105	\$111	\$92
Treatment Rev. Per Sq. Ft. – Average	\$234	\$193	\$410	\$220	\$231	\$256
Treatment Rev. Per Sq. Ft. – Median	\$154	\$130	\$353	\$150	\$157	\$150
Salon Revenue Per Sq. Ft. – Average	\$199	\$188	\$307	\$187	\$198	\$203
Salon Revenue Per Sq. Ft. – Median	\$143	\$137	\$316	\$133	\$146	\$129
Treatment Rev. Per Room – Average	\$47,738	\$34,041	\$87,337	\$44,577	\$44,015	\$76,035
Treatment Rev. Per Room – Median	\$33,333	\$23,333	\$75,000	\$30,000	\$30,625	\$54,167
Salon Revenue Per Station – Average	\$28,282	\$19,250	\$52,008	\$25,469	\$26,092	\$44,096
Salon Revenue Per Station – Median	\$17,500	\$13,125	\$37,500	\$17,188	\$17,438	\$30,000
Revenue Per Visit – Average	\$97	\$68	\$138	\$93	\$90	\$149
Revenue Per Visit – Median	\$70	\$52	\$82	\$69	\$69	\$94
Revenue Per Employee – Average	\$31,492	\$32,224	\$48,829	\$30,263	\$31,131	\$34,291
Revenue Per Employee – Median	\$25,000	\$25,000	\$39,773	\$25,000	\$25,000	\$25,000
Avg. Retail Spend Per Visit – Average	\$48	\$56	\$40	\$48	\$48	\$44

Notes: Averages represent the average values for the given item while medians represent the midpoint (i.e., 50% of responses fall below the median and 50% are above the median).

Interpret segment results with caution due to small sample sizes.

Treatment revenue per square foot and treatment room is based on treatment revenue and space only.

Salon revenue per square foot and station is based on salon revenue and space only.

*All dollar values for Canada are reported in Canadian dollars.

SPA PROFILE BY SPA REVENUE						
	Total U.S.	Less than \$100,000	\$100,001 to \$250,000	\$250,001 to \$500,000	\$500,001 to \$1 million	More than \$1 million
SPA TYPE:						
Club Spa	3%	3%	2%	3%	5%	2%
Day Spa	80%	90%	85%	80%	75%	57%
Destination Spa	0.5%	1%	0.4%	1%	0%	2%
Medical Spa	7%	2%	7%	10%	7%	5%
Mineral Springs Spa	0.3%	0.3%	0.2%	0%	0%	1%
Resort / Hotel Spa	9%	5%	5%	6%	13%	32%
REGION:						
North East	23%	29%	14%	25%	22%	18%
South East	20%	17%	23%	21%	19%	22%
North Central	17%	18%	22%	18%	19%	12%
South Central	10%	10%	12%	9%	8%	8%
North West	6%	6%	3%	7%	7%	3%
South West	23%	21%	27%	20%	25%	37%
FRANCHISE AFFILIATION:						
Franchisor	2%	3%	3%	2%	3%	3%
Franchisee	2%	0%	3%	3%	1%	5%
Not Affiliated With a Franchise	95%	98%	94%	95%	97%	93%
OWNERSHIP STRUCTURE:						
Sole Proprietor	39%	56%	36%	31%	28%	24%
Partnership	11%	10%	18%	11%	7%	8%
Small Corporation	44%	32%	42%	55%	59%	48%
Major Corporation	6%	2%	4%	2%	6%	18%
Other	1%	0.4%	0%	1%	0%	2%
PRODUCTS OFFERED*:						
Treatment Rooms	100%	99%	100%	100%	100%	100%
Retail	89%	85%	90%	96%	96%	93%
Salon	74%	70%	76%	76%	82%	90%
Dedicated Relaxation Area	61%	53%	55%	71%	62%	72%
Dedicated Wet Area	36%	27%	35%	38%	36%	59%
Locker Rooms	33%	17%	21%	43%	41%	75%
Educational Programs and Workshops	32%	29%	30%	31%	38%	39%
Complementary or Alternative Therapies	31%	29%	38%	37%	22%	38%
Mind, Body and Spirit Programs	19%	19%	16%	13%	19%	25%
Medical	14%	9%	14%	15%	19%	10%
Fitness or Sports Services	13%	9%	7%	9%	18%	29%
Lodging	10%	8%	5%	7%	10%	32%
Restaurants	8%	4%	4%	5%	12%	28%
DAYS OPEN PER WEEK:						
Less than five days per week	3%	8%	0%	0%	1%	0%
Five days per week	30%	36%	40%	35%	16%	2%
Six days per week	38%	38%	43%	38%	44%	27%
Seven days per week	30%	17%	18%	26%	39%	71%
ACCESS**:						
Open to the general public	98%	99%	99%	93%	95%	99%
Restricted to members	1%	1%	1%	0%	0%	1%
Primarily members, but public too	2%	0%	0%	7%	5%	0%
APPLY ENVIRONMENTALLY SUSTAINABLE PRACTICES:						
	76%	78%	87%	64%	72%	67%
BOOKING OPTIONS:						
Specific services only	76%	68%	79%	80%	76%	88%
Can book blocks of time	24%	32%	21%	20%	24%	12%

Notes: Interpret segment results with caution due to small sample sizes.
 Percentages may not sum to 100% due to rounding.
 *Percentages sum to more than 100% due to multiple responses.
 **Access question was asked to Internet respondents only.

KEY SPA STATISTICS BY SPA REVENUE						
	Total U.S.	Less than \$100,000	\$100,001 to \$250,000	\$250,001 to \$500,000	\$500,001 to \$1 million	More than \$1 million
REVENUE IN THOUSANDS:						
2006 Revenue – Average	\$624	\$61	\$178	\$379	\$785	\$2,963
2006 Revenue – Median	\$250	\$70	\$175	\$375	\$800	\$2,000
Anticipated 2007 Revenue – Average	\$847	\$112	\$234	\$549	\$950	\$3,353
Anticipated 2007 Revenue – Median	\$375	\$90	\$200	\$475	\$958	\$2,000
Profit Margin – Average	17.4%	19.9%	18.0%	13.8%	20.5%	16.2%
Profit Margin – Median	10%	14%	18%	10%	10%	12%
SPA VISITS:						
2006 Annual Spa Visits – Average	7,353	1,531	3,623	5,623	10,811	23,675
2006 Annual Spa Visits – Median	3,900	1,200	3,000	5,000	9,100	20,892
Anticipated 2007 Spa Visits – Average	7,654	2,066	4,313	7,548	9,992	23,809
Anticipated 2007 Spa Visits – Median	5,000	1,400	3,600	6,500	9,000	21,000
Average Daily Clients – Average	23	6	13	19	33	68
Average Daily Clients – Median	14	5	10	15	29	58
% Visits by New Clients – Average	39%	39%	38%	37%	38%	34%
% Visits by Male Clients – Average	21%	19%	20%	24%	20%	20%
EMPLOYMENT:						
Full-time Employees – Average	8.0	2.9	4.6	7.6	12.0	24.3
Full-time Employees – Median	5	2	3	5	10	21
Part-time Employees – Average	5.0	2.5	2.5	4.7	7.9	14.9
Part-time Employees – Median	3	1	2	3	6	10
Contract Employees – Average	2.9	2.5	3.0	3.0	2.5	4.3
Contract Employees – Median	0	1	1	0	0	0
% of Revenue to Payroll – Average	40.1%	31.6%	38.4%	48.9%	43.9%	46.7%
% of Revenue to Payroll – Median	45%	38%	40%	50%	46%	48%
SPA SPACE:						
Locations – Average	1.6	1.1	1.3	1.2	1.9	2.4
Locations – Median	1	1	1	1	1	1
Indoor Square Footage – Average	3,843	1,691	1,991	3,378	5,557	10,104
Indoor Square Footage – Median	2,100	1,300	1,600	2,500	3,000	5,700
AVERAGE PRICES:						
Average Price/Service	\$79	\$72	\$70	\$80	\$84	\$97
Average Price/Massage	\$77	\$72	\$71	\$77	\$83	\$94
Average Price/Facial	\$80	\$72	\$73	\$84	\$87	\$101
REVENUE RATIOS:						
Revenue Per Sq. Ft. – Average	\$165	\$51	\$112	\$174	\$280	\$368
Revenue Per Sq. Ft. – Median	\$109	\$47	\$100	\$150	\$250	\$350
Treatment Revenue Per Sq. Ft. – Average	\$234	\$63	\$141	\$239	\$409	\$527
Treatment Revenue Per Sq. Ft. – Median	\$154	\$57	\$135	\$200	\$323	\$488
Salon Revenue Per Sq. Ft. – Average	\$199	\$50	\$133	\$180	\$312	\$397
Salon Revenue Per Sq. Ft. – Median	\$143	\$34	\$116	\$171	\$314	\$350
Treatment Revenue Per Room – Average	\$47,738	\$14,138	\$25,441	\$51,135	\$79,582	\$115,237
Treatment Revenue Per Room – Median	\$33,333	\$11,642	\$22,750	\$41,771	\$77,143	\$97,659
Salon Revenue Per Station – Average	\$28,282	\$7,776	\$15,420	\$23,063	\$45,914	\$59,163
Salon Revenue Per Station – Median	\$17,500	\$5,200	\$12,500	\$22,500	\$35,350	\$53,156
Revenue Per Visit – Average	\$97	\$64	\$76	\$99	\$118	\$172
Revenue Per Visit – Median	\$70	\$50	\$59	\$79	\$88	\$99
Revenue Per Employee – Average	\$31,492	\$15,068	\$24,867	\$35,472	\$44,596	\$62,244
Revenue Per Employee – Median	\$25,000	\$10,000	\$18,571	\$33,333	\$37,500	\$46,667
Average Retail Spend Per Visit – Average	\$48	\$40	\$53	\$49	\$44	\$44

Notes: Averages represent the average values for the given item while medians represent the midpoint (i.e., 50% of responses fall below the median and 50% are above the median).

Interpret segment results with caution due to small sample sizes.

Treatment revenue per square foot and treatment room is based on treatment revenue and space only.

Salon revenue per square foot and station is based on salon revenue and space only.