



# International SPA Association

## ISPA 2010 U.S. Spa Industry Study





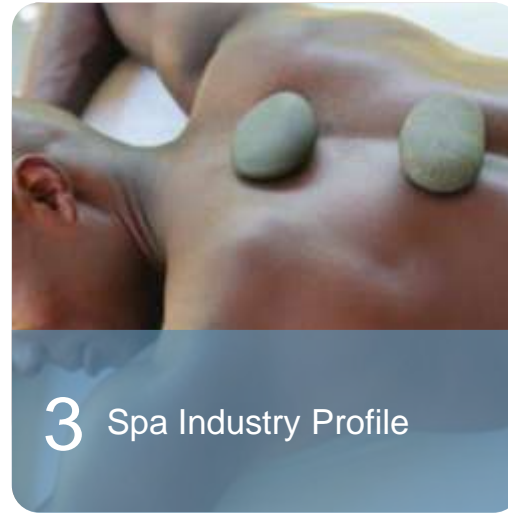
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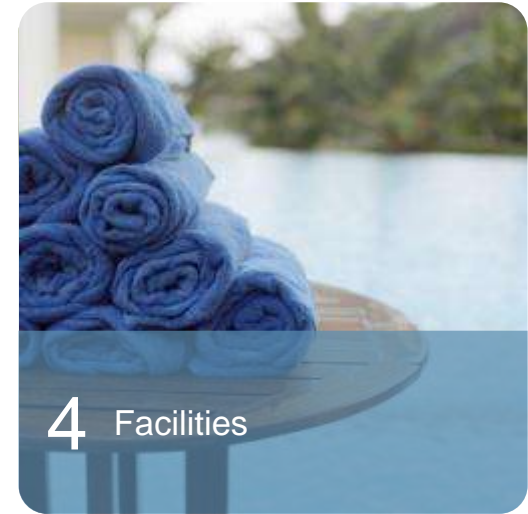
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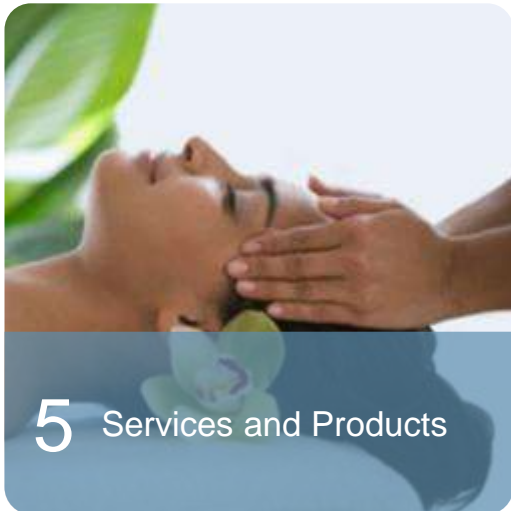
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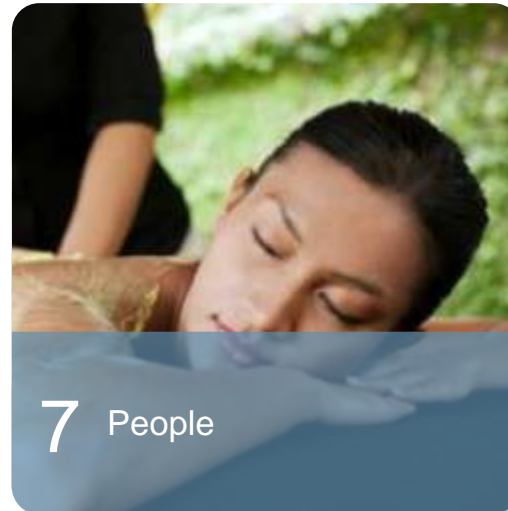
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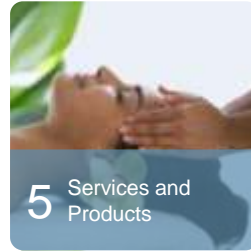


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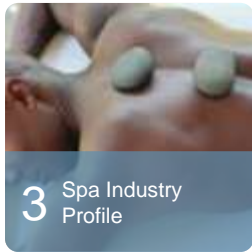
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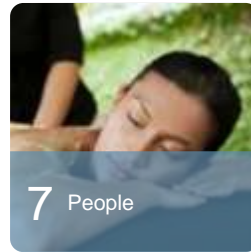
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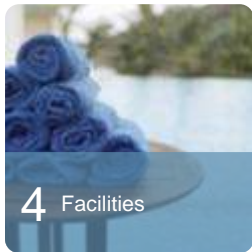
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## Introduction

This report presents the findings from the 2010 U.S. Spa Industry Study. The study was commissioned by the International SPA Association (ISPA).

Established in 1991, the ISPA has been recognized worldwide as the professional organization and voice of the spa industry, representing health and wellness facilities and providers in more than 70 countries. Members encompass the full spectrum of the spa experience, from resort/hotel, destination, mineral springs, medical, cruise ship, club and day spas, to service providers such as physicians, wellness instructors, nutritionists, massage therapists and product suppliers.

ISPA advances the spa industry by providing educational and networking opportunities, promoting the value of the spa experience and speaking as the authoritative voice to foster professionalism and growth.

To assist in understanding the industry, the ISPA commissioned the first U.S. study in 2000. The inaugural study was subsequently updated in 2002, 2004, 2006 and 2007. A shorter tracking study was commissioned in 2003, 2005, 2008 and 2009.

This report focuses on the state of the industry in 2009, a period when the U.S. economy was mired in its longest and deepest recession since the 1930s. Against the backdrop of the recession, undertaking this industry study assumes greater importance at this juncture for a number of reasons: to gauge the impact of the recession; examine how the industry has responded; assess the signs of emergence from recession; and, to identify the challenges that lie ahead.



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## Research Objectives

**The research objectives of the 2010 U.S. Spa Industry Study are as follows:**

- Determine the size of the spa industry in the United States; specifically in terms of the 'Big 5' statistics, that is:
  - Revenues;
  - Number of visits;
  - Number of establishments;
  - Square footage; *and*
  - Employment.
- Estimate the growth rate of the industry.
- Develop a profile of the U.S. spa industry using criteria such as regional distribution, spa type, ownership structure, ownership of real estate and equipment, number of visits and service/product offerings.
- Determine current and future industry trends and challenges.
- Manage the ISPA database of key industry statistics.





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## Definitions

For the purpose of the ISPA 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. To be qualified as a spa, a business must offer at least two of the following three services: massage (full body); skin care treatments (i.e. facials); or body treatments (i.e. hydrotherapy or body wraps/scrubs).

The spa industry categories used in this study are as follows:

- Club spa: primary purpose is fitness, offers a variety of spa services on a day-use basis.
- Day spa: offers spa services to clients on a day-use basis.
- Destination spa: historically a seven-day stay, encompassing spa services as part of a program whose primary purpose is guiding individual spa-goers to develop healthy habits.
- Medical spa: operates under the full-time on-site supervision of a licensed health care professional. Primary purpose is to provide comprehensive medical and wellness care in an environment that integrates spa services.
- Mineral springs spa: Offers on-site source of natural mineral, thermal or sea water used in professionally administered hydrotherapy services.
- Resort/hotel spa: a spa within a hotel or resort.

Throughout the report data is analysed by spa categories. Day, resort/hotel and medical spas are generally listed with the remaining spas combined into the 'Other' spa category, due to their sample sizes in the survey undertaken for this study. The 'Other' spa category varies throughout and contains the combination of all other spa categories not listed out for that specific chart or table.





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## Structure of report

**The remainder of the report is structured as follows:**

**Section 2 Industry Size and Impact of the Recession:** This Section provides an industry level overview. The Section commences with the Industry Study 2010 findings for the 'Big 5' statistics. The Section then examines the impact of the recession, describing how spa industry businesses have managed the recession and their experience in the emergence from recession. The Section concludes with a look ahead, including key challenges facing the industry.

**Section 3 Spa Industry Profile:** This Section presents a profile of spa establishments across a range of attributes, including composition by type of spa, size differences and the geography of the industry.

**Section 4 Facilities:** This Section presents a picture of the main elements of indoor space occupied by spa establishments, i.e. what the spa visitor can expect to find when she or he enters a spa. It relates to the 'Big 5' statistics for spa indoor square footage.

**Section 5 Services and Products:** This Section describes the services that spas offer to their clients and how the mix of services varies by type of spa.

**Section 6 Prices and Composition of Revenue:** This Section considers the revenue side of spa businesses. The topics covered include the average number of treatments and services that spas provide to their clients; the average price of such services; and, the composition of average spa revenues by type of treatment and service.

**Section 7 People:** This Section focuses on the people at the center of the spa industry, i.e. those employed in spa businesses and the clients whom they service.

**Section 8 Technical Appendix:** This Section contains some more detailed information on how the survey was undertaken.







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## Introduction

This Section presents the survey findings for the size of the U.S. spa industry. It also examines the impact of the recession and the challenges that lie ahead.

The following topics are addressed:

- What is the size of the spa industry in the U.S., as measured by revenues, visits, locations, employment and square footage?
- How has the spa industry been affected by the recession?
- How have spas managed the recession?
- Are there signs the industry is emerging from recession?
- What are the key challenges that lie ahead for the industry?

The Section commences with an overview on the economic context, which has shaped the environment in which spas operated in 2009. The impact of the recession is illustrated by a presentation of the latest position and trends in the 'Big 5' statistics for measuring the size of the spa industry. The Section then considers the measures that spas have taken to weather the downturn, followed by a review of the survey evidence on recent trends and whether these point to a recovery from the downturn. The Section concludes with a look ahead and key points summary.





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## The Economic Context

**In 2009 the U.S. found itself facing the deepest and most prolonged recession since the 1930s.**

**The depth and duration of the economic downturn is the single most important factor shaping the size and performance of the industry in 2009.**

In 2009, all the major economic indicators were negative. Gross Domestic Product (GDP), measuring the value of economic activity nationwide, tumbled by 2.6%.

The rate of job losses was close to 4%. Unemployment almost doubled. Income and expenditure also declined.

### The U.S. in recession: Selected economic indicators, annual percent change

	2007	2008	2009
GDP	1.9%	0.0%	-2.6%
Employment	1.1%	-0.5%	-3.8%
Unemployment	4.6%	5.8%	9.3%
<b>Personal Income (excluding transfers*)</b>			
Current \$	5.5%	3.1%	-4.5%
Constant (2005) \$	2.7%	-0.2%	-4.6%
<b>Personal Consumption Expenditure **</b>			
Personal Care			
Current \$	5.7%	4.8%	0.2%
Constant (2005) \$	2.0%	-0.1%	-2.9%

Source: Bureau of Economic Analysis; Bureau of Labor Statistics.

\*Transfers include social security benefits, health insurance and other fringe benefits.

\*\*Personal consumption expenditure is a comprehensive measure of how much consumers spend each month, counting expenditures on durable goods, consumer products, and services.



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## The Big Five Statistics: 2009 out-turn and % change in 2009

Reflecting the impact of the recession, in 2009, for the first time since ISPA commenced the industry survey in 2000, all five key data points registered a decline over the previous year.

	2008 (Year End)	2009 (Year End)	% Change
Revenue	\$12.8 billion	\$12.3 billion	-4.3%
Spa Visits	160 million	143 million	-10.2%
Locations	21,300	20,600	-3.2%
	2009 (March)	2010 (May)	
Total Employees	340,600	332,000	-2.5%
Full-Time	158,200	138,100	-12.7%
Part-Time	112,300	137,200	22.2%
Contract	70,100	56,800	-19.0%
Square Footage	81 million sq ft	76 million sq ft	-5.2%





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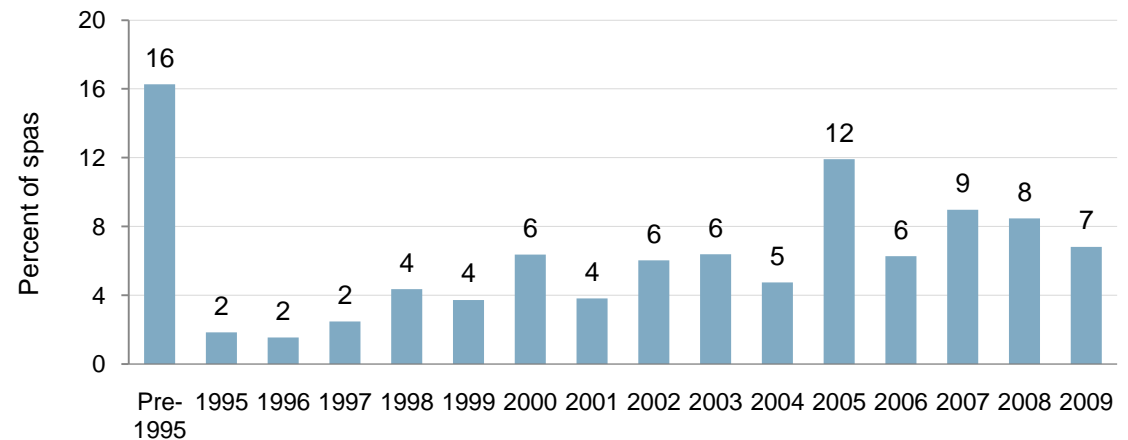
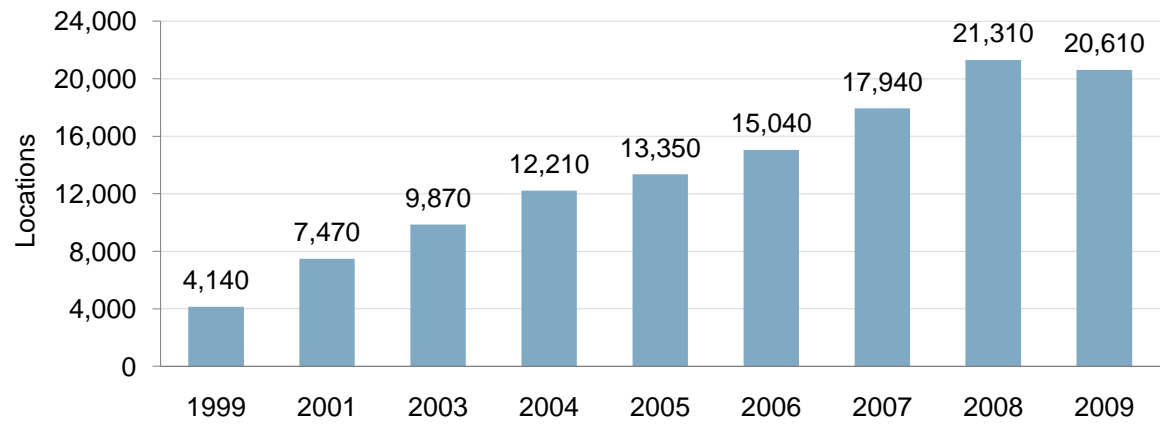
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## Spa establishments

**After a period of continuous growth since 1999, the number of spa establishments fell by 3.2% in 2009 compared to the previous year.**

However, with 20,610 establishments, the 2009 out-turn was still above the 2007 level (17,940).

The net decline in the number of establishments reflects an excess of spa closures over openings. But even in 2009, new spa openings were still coming on-stream. Of the spas surveyed for this study, 7% said they had started the business in 2009. The rate of new openings was, however, lower than in previous years.



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## Spa revenues

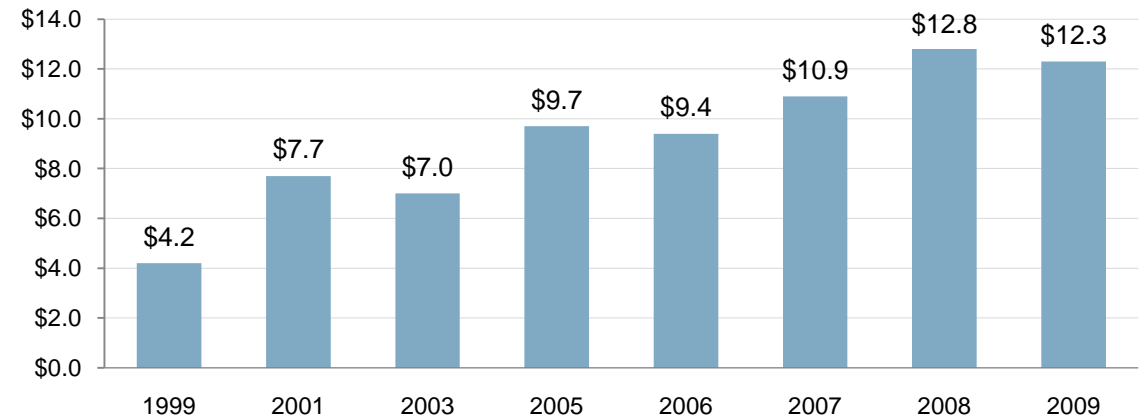
**At \$12.3 billion in 2009, industry revenues were \$0.5 billion below their 2008 level, a decline of 4.3%.**

Partly, the fall in total revenues reflects the reduction in the number of spa establishments.

Nonetheless, the pace of growth in spa locations prior to 2009 was such that total 2009 revenues remained above the estimated out-turn for 2007.

The second major factor affecting total revenues is the average revenue per establishment. With the economy in a deep recession in 2009 and facing weak consumer demand, it was not unexpected to see a decline in average revenues, down by 1.3% to \$594,000 per location.

**Total spa revenue in the U.S. (billions)**



**Average revenue per establishment (thousands)**





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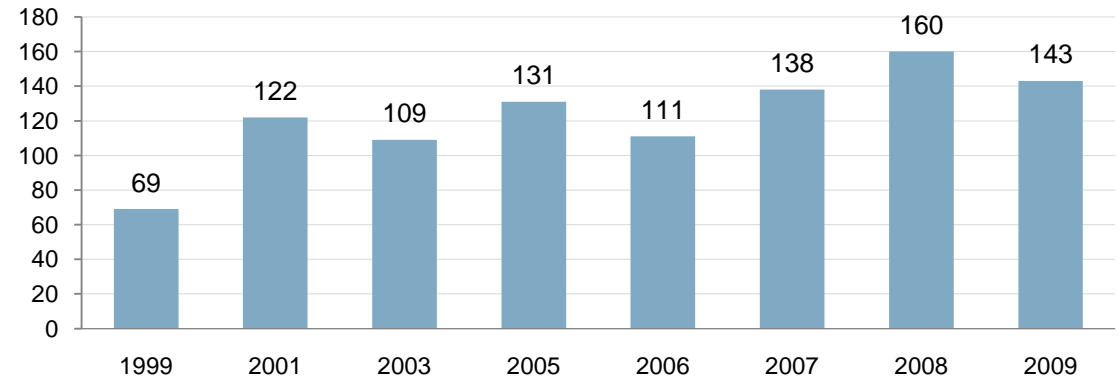
## Spa visits

**The impact of the recession was most evident in the 10% decline in the number of visits made to spa establishments, down from 160 million in 2008 to 143 million in 2009.**

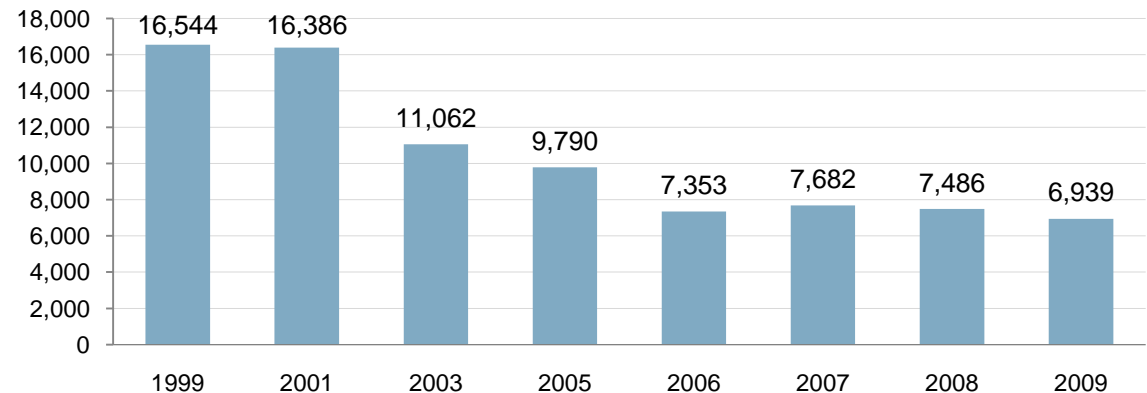
Despite the recession, the estimated total number of spa visits in 2009 remained above the levels observed prior to the peak in 2008. Again, this reflects the rapid expansion of the spa industry in the period leading up to the downturn.

However, in 2009, average visits per establishment dropped below 7,000 for the first time, a fall of 7.3%. This illustrates the challenges that spas faced in maintaining consumer demand in the face of the downturn.

### Total spa visits in the U.S. (millions)



### Average visits per establishment





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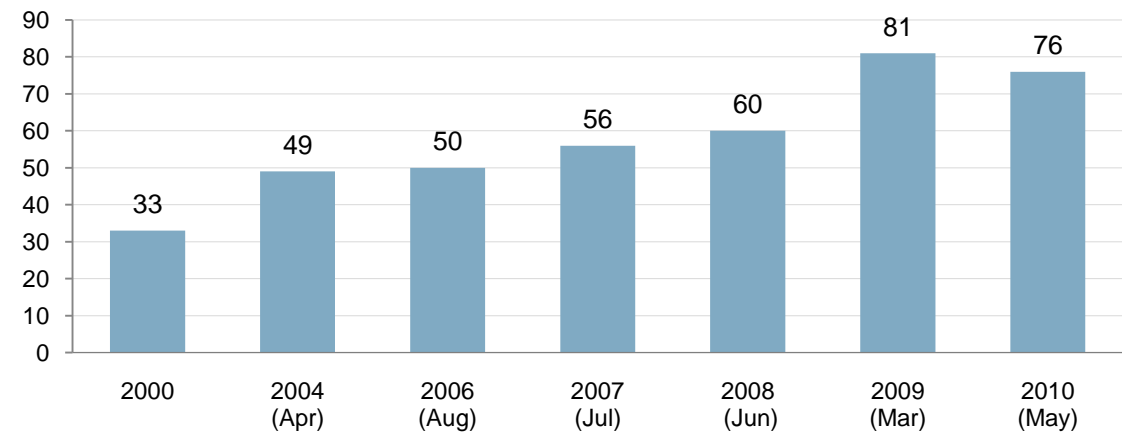
## Total square footage

**With a net fall in the number of spa establishments, there was a corresponding drop in total indoor floorspace, down from 81 million square feet in spring 2009 to 76 million square feet in spring 2010 (-5.2%).**

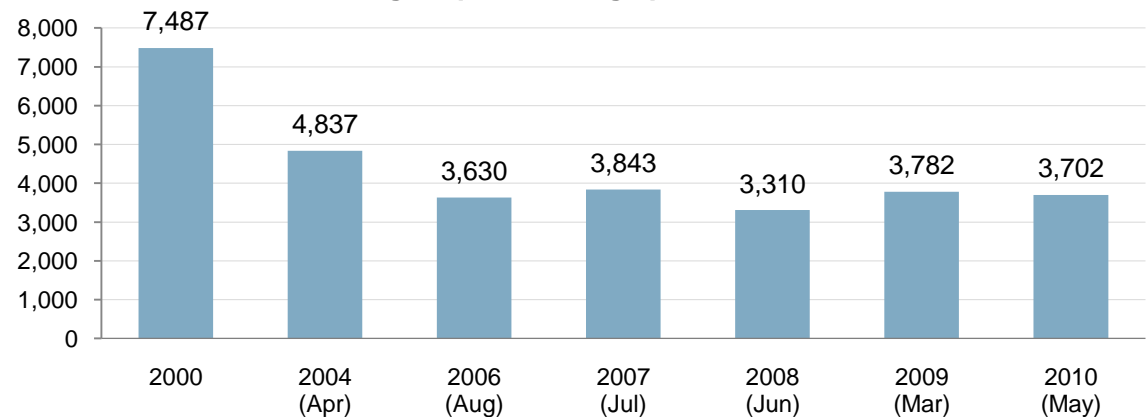
However, total square footage in 2010 remained higher than any of the years prior to the 2009 peak.

Among those spas that survived the recession in 2009, average size declined only slightly, from 3,782 square feet in 2009 to 3,702 in 2010 (-2.1%).

### Total square footage in the U.S. (millions)



### Average square footage per establishment



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## Employment

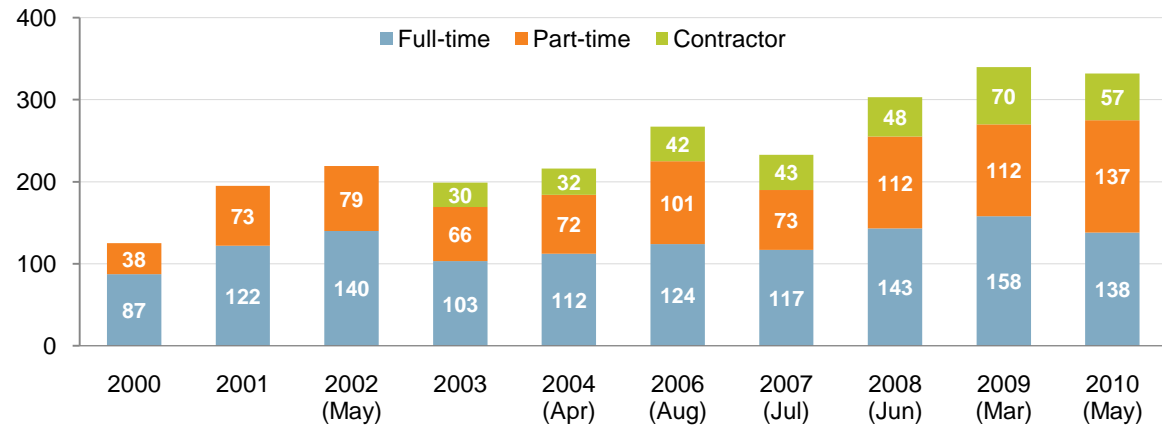
**Total jobs in the spa industry fell from 340,600 in spring 2009 to 332,000 by spring 2010 (-2.5%). While part-time employment rose to a record high, this was more than offset by the 13% drop in full-time employee jobs.**

When compared to the average for all industries (-3.8%)\*, the 2.5% drop in spa industry employment was less than might have been expected.

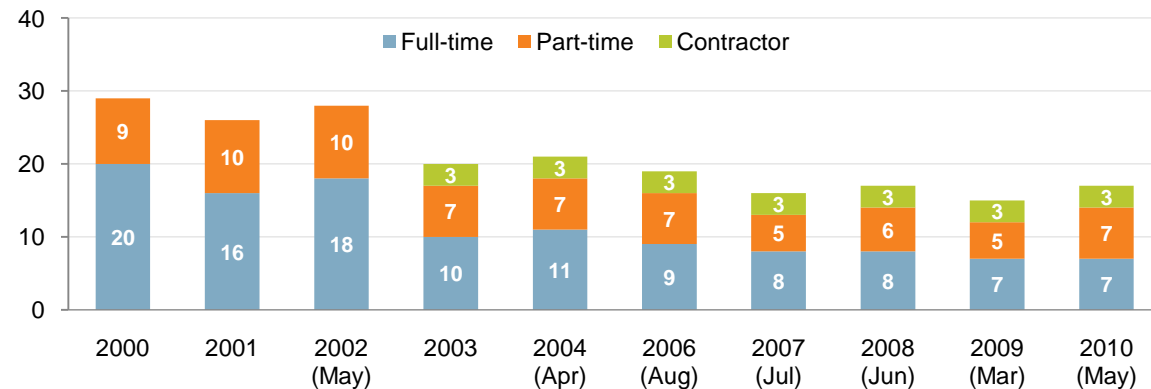
The impact of the recession on the industry was, however, masked by the pronounced shift from full-time to part-time status. To illustrate the point: if each part-time job is considered to be 60% of a full-time equivalent, the employment decline would have been in excess of 6%.

\*Bureau of Economic Analysis; Bureau of Labor Statistics

### Total employees in the U.S. (thousands)



### Average employees per establishment





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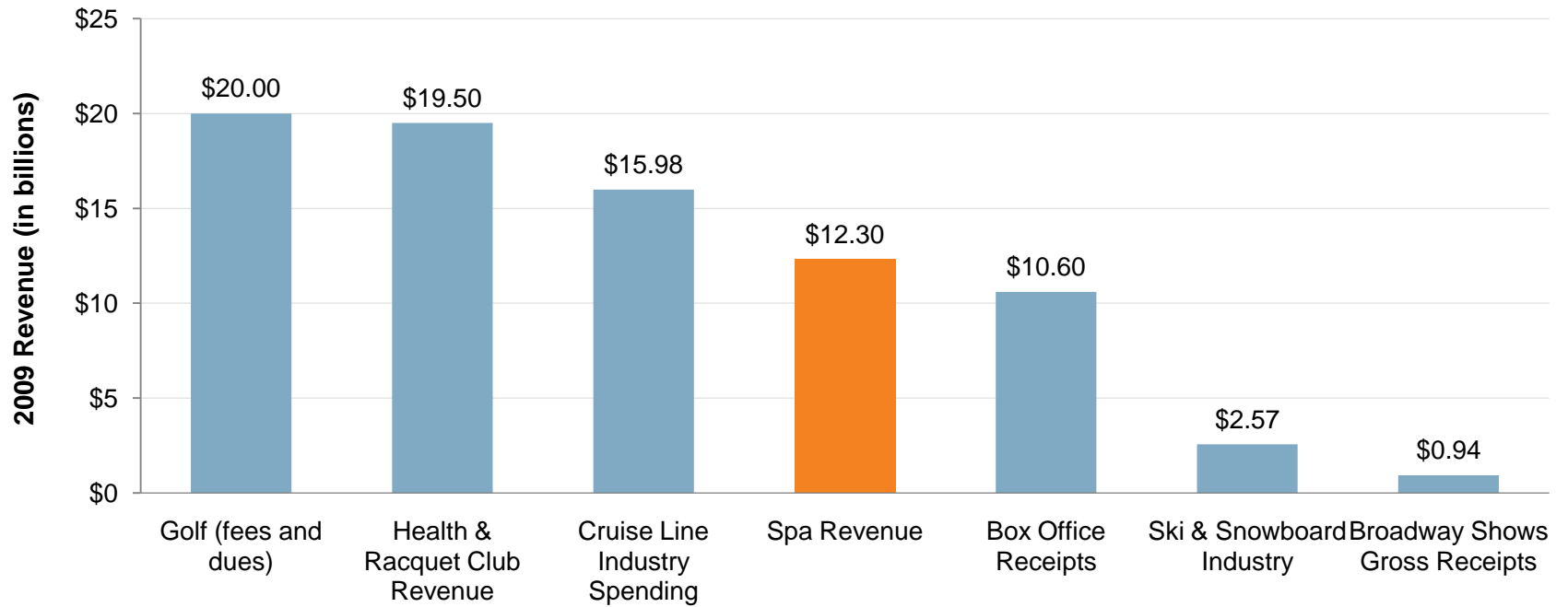
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## Comparative size of spa industry

The accompanying chart shows the size of the spa industry in 2009 compared with the estimated sizes of other US leisure industries.

### Estimated sizes of U.S Leisure industries (2009)



Source: Business Research & Economic Advisors; International Health, Racquet and Sportsclub Association; Motion Picture Association of America, First Research; IBISworld; and PwC estimates.



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## Managing in a Recession

No industry was left unscathed by the recession. From March 2008 to March 2010, employment in the leisure and hospitality industry sector declined by 3.6%, including a 4.0% drop in personal services and an 8.2% fall in accommodation services.

In 2009, employment in the golf course sector fell by 5%. In the same year, the U.S cruise industry experienced a decline in industry spending of -10.2% (\$15.98 billion in 2009 from \$17.80 billion in 2008). Other sectors have been less severely affected. For example, total U.S. revenues in the health club sector in 2009 (\$19.5 billion) were on par with the 2008 out-turn (\$19.1 billion).

The general pattern in 2009, however, was one of falling revenue and employment. With declines showing across the board for the 'Big 5' indicators, the spa industry was no exception.

Nonetheless, even with the decline, each of the key statistics remained at their second highest level since the research started in 1999.

The spa industry has weathered the downturn in a number of ways:

- maintaining the attractiveness of the spa offering – helping the consumer cope with the increased stress levels that have resulted from the recession;
- marketing and discounting to stimulate demand; *and*
- focusing on efficiency and costs to limit the impact of the downturn on the revenue side.

The adjustments made by spas to manage the recession are the next topic in this Section.





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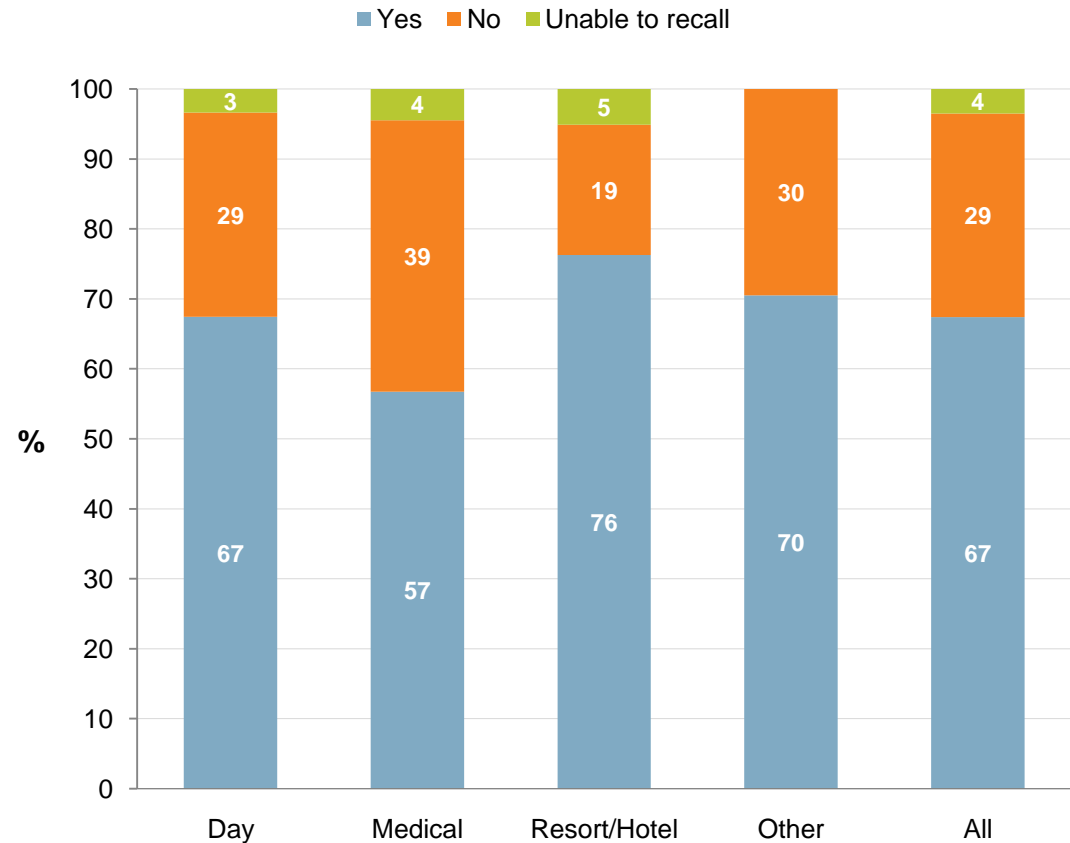
## Managing in a Recession: Re-engineering the menu

**In seeking to remain competitive and retain customers, spas have re-engineered their menus and introduced discounts and rewards to incentivize customer loyalty and attract new spa-goers.**

Spas have re-engineered their menus to offer, for example, shorter and less expensive treatment options. Three in four (75%) of the spas surveyed for this study said they offer express treatments (30 minutes or less).

Two in three spas (67%) implemented promotions over the course of 2009 as a result of the recession. Over three in four (76%) resort/hotel spas responded with new promotions.

## Promotions introduced in 2009 as a result of the recession





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## Managing in a Recession: Discounts and Rewards

**Spas made use of a wide range of promotions in 2009. On average, spas implemented five of the packages illustrated in the accompanying chart. There was no variation by spa type in the average number of packages implemented.**

Reaching out to attract new spa-goers was an important theme in the packages deployed by spas. Over six in ten spas introduced discounts and incentives for first-time clients (63%). A similar proportion (64%) sought to expand their existing customer base via referral incentive programs.

Six in ten spas (60%) implemented customer loyalty programs.

### Promotions implemented in 2009





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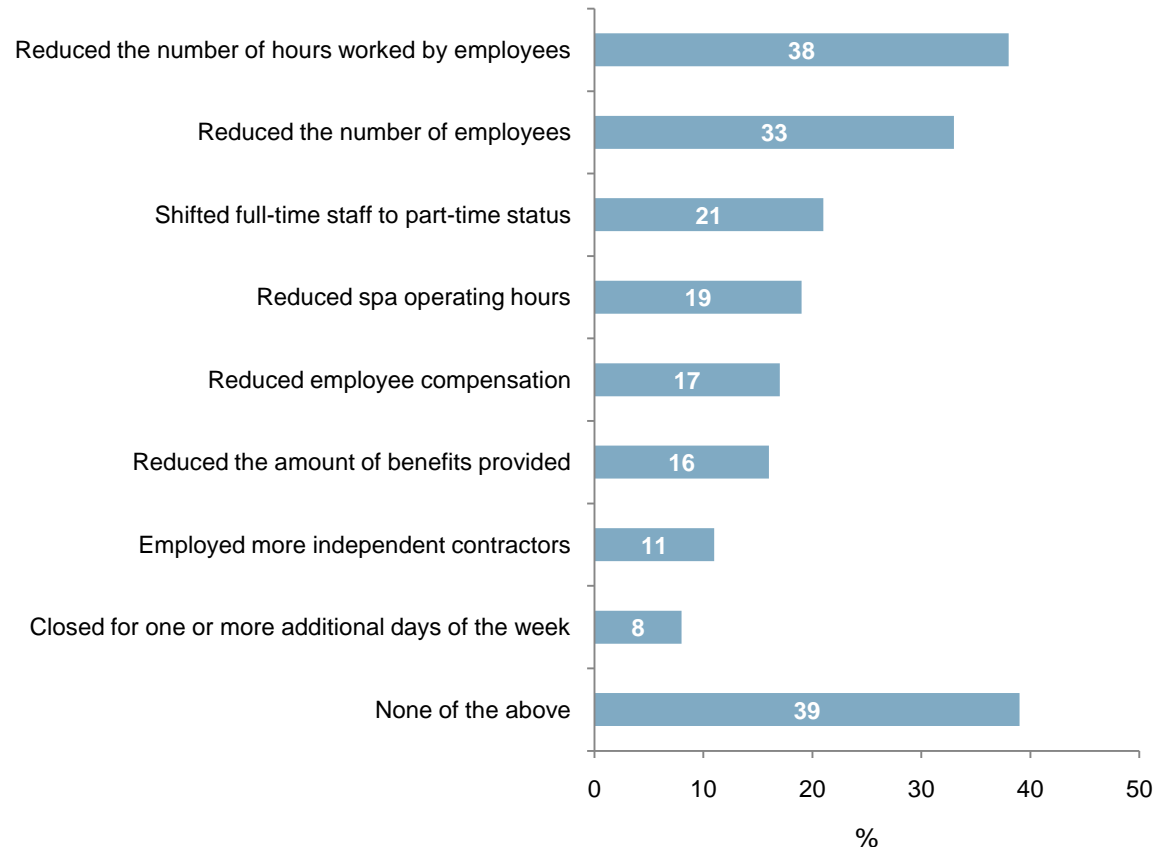
## Managing the recession: Reshaping the workforce

**In response to the downturn, a majority of spas (61%) have taken one or more steps to manage and reduce costs by reshaping their workforce and seeking greater control over labor costs.**

Reflecting the downturn in demand, 38% of spas reduced the number of hours worked by their employees. One in five spas (21%) shifted staff from full-time to part-time status.

These measures give spas greater flexibility in matching labor requirements to demand in a time of recession. Such measures also enable spas to retain staff during the downturn, including those with valued skills and experience.

### Measures taken in past twelve months due to economic downturn





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## Managing the recession: Reshaping the workforce

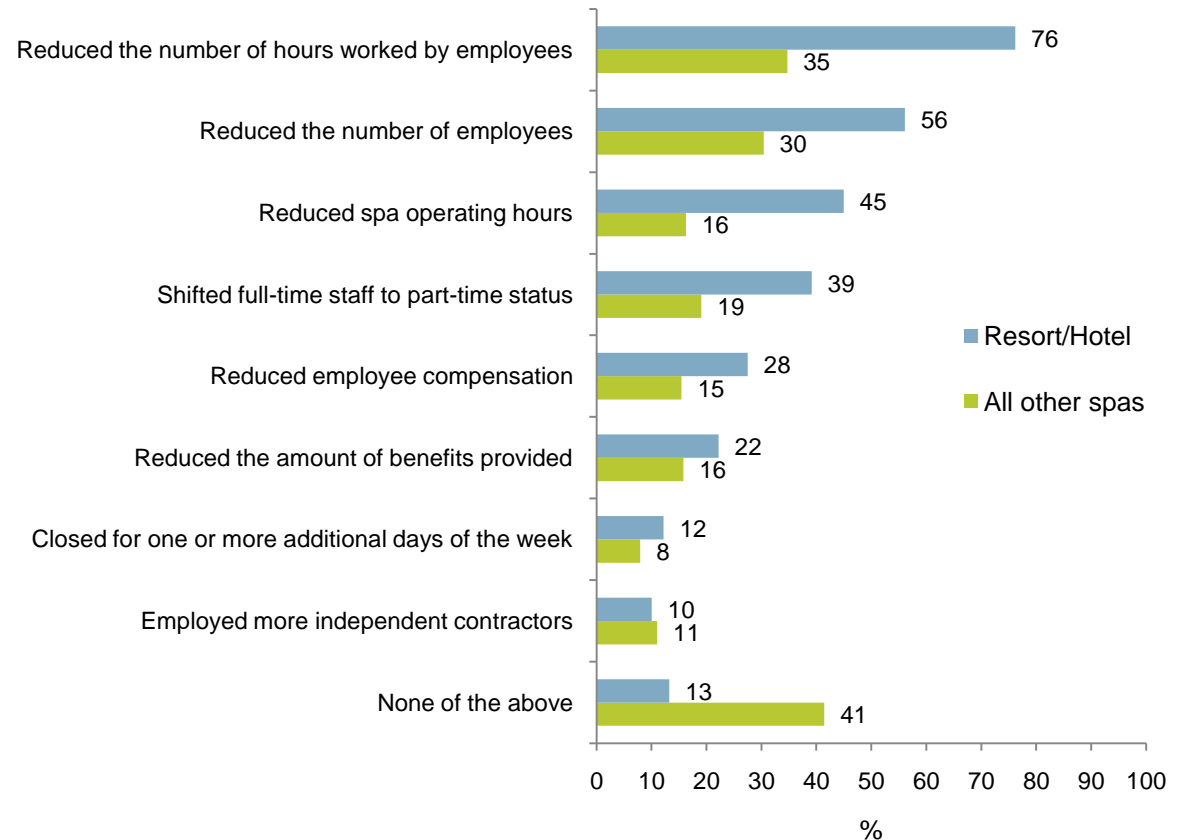
**Resort/hotel spas were most likely to report having taken one or more measures in response to the downturn, suggesting a larger impact of the recession on that sector.**

Almost nine in ten resort/hotel spas (87%) took one or more measures to offset the effect of the downturn. By contrast, 59% of all other spas took one or more measures.

Three in four resort/hotel spas reduced the hours worked by employees compared to 35% on average among all other types of spa.

The average number of actions taken by resort/hotel spas was 3.3, compared to 2.6 among other spas.

### Measures taken in past twelve months due to economic downturn





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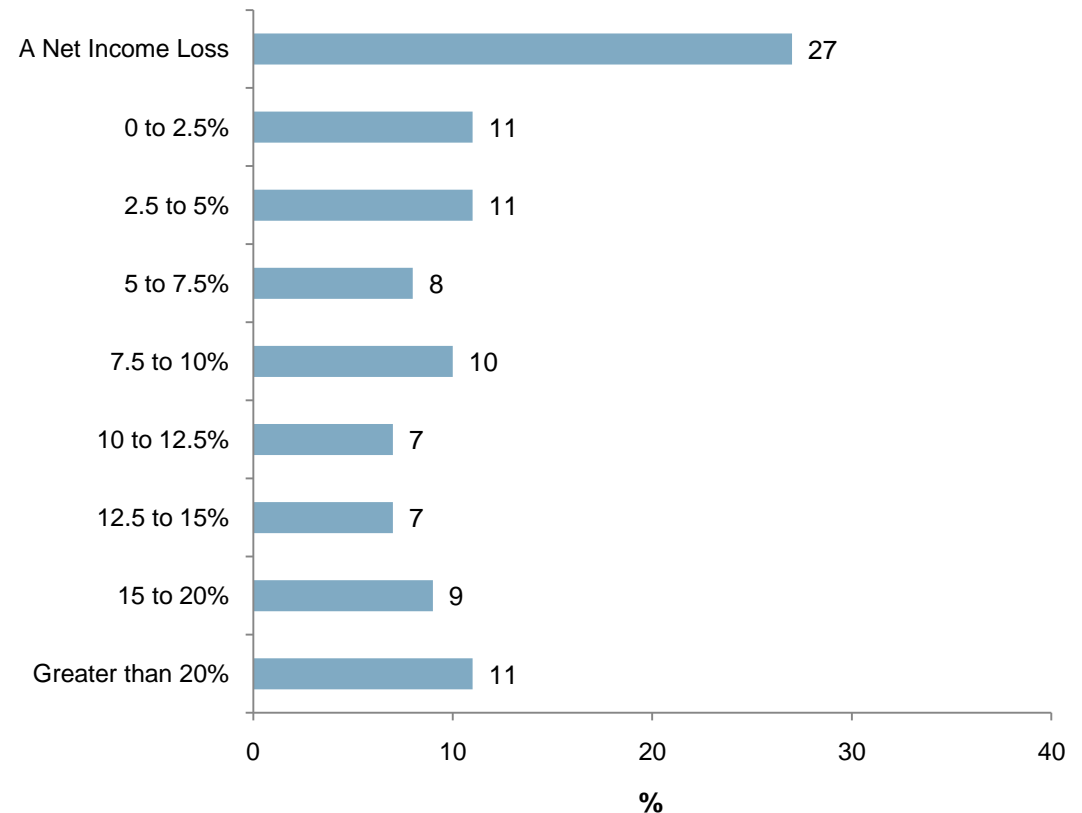
## Impact of the recession: Reduced profitability

**Many spas have sustained their business in the face of the recession but with reduced profitability. This is a major impact of the recession.**

Notwithstanding the efforts made by spas to control costs and stimulate demand, a substantial proportion of spas experienced low or negative profitability in 2009.

Excluding the resort/hotel sector, when asked to give their approximate profit before fixed charges percentage, 27% of spas reported a net income loss for 2009. A further 22% reported a profit percentage between zero and 5%.

**Profit percentage before fixed charges for 2009  
All spas excluding resort/hotel spas**



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Please note resort/hotel spas were asked an alternative profitability question, the results of which will be available in the resort/hotel supplementary report.





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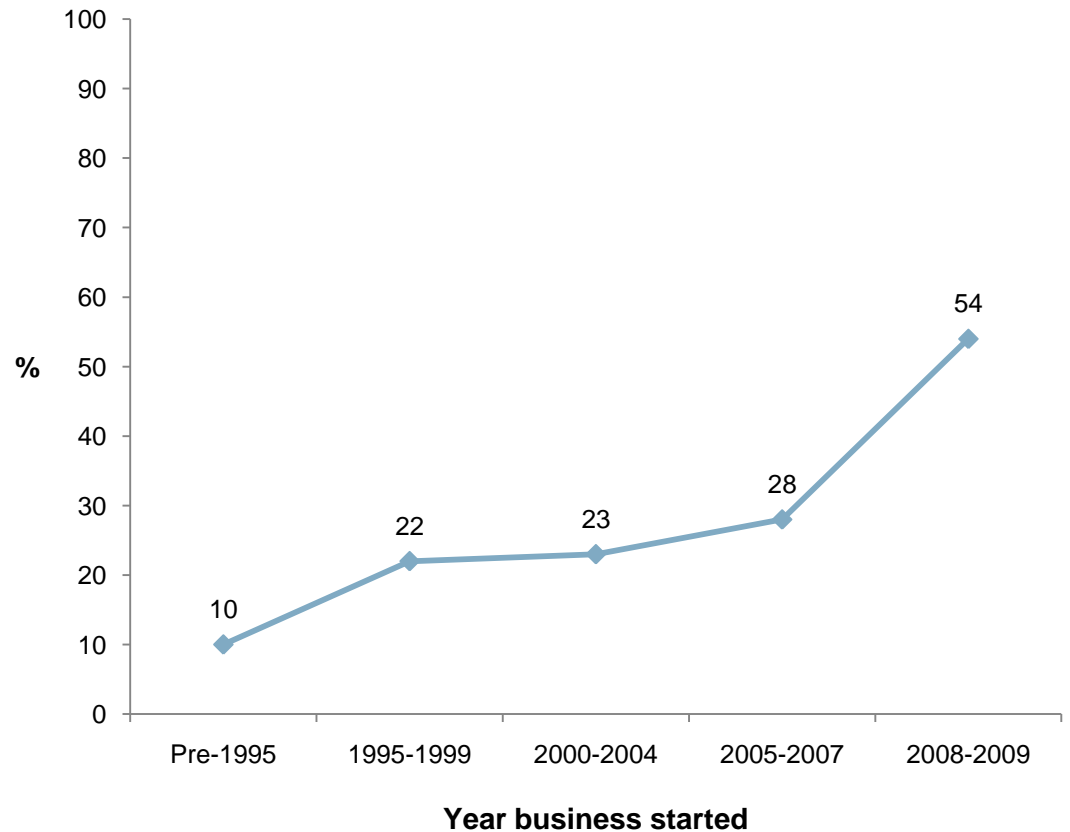
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## Impact of the recession: Reduced profitability

**The more well-established spas have fared better in maintaining profitability during the recession. A majority of the spas opening in 2008 and 2009 reported a net income loss in 2009.**

New business start-ups will typically need time to build up demand and a customer base. However, many of the spas that opened in the midst of the recession have struggled to align revenues with costs. Among the spas that opened in 2008-2009, 54% said they suffered a net income loss in 2009. These businesses are likely to be among the most vulnerable to a more protracted period of slow growth in the emergence from recession.

**Net income loss by year of business start up  
All spas excluding resort/hotel spas**





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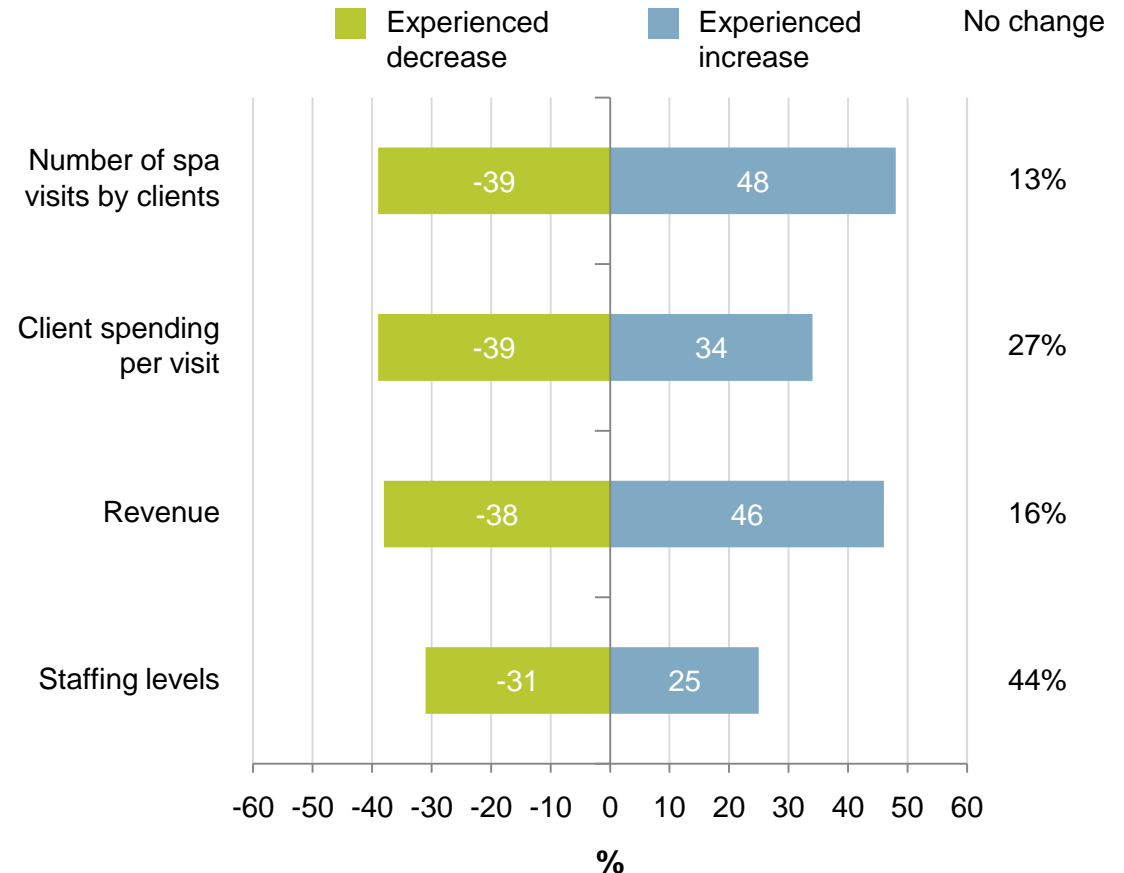
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## Emerging from recession: Pick-up in demand?

**The survey evidence provides some signs of a return to growth in the industry, albeit at a modest pace and not yet experienced by all spas.**

In order to gauge more recent trends in the industry, survey respondents were asked to say whether, in the period from September 2009 to March 2010, they had experienced an increase, decrease or no change in relation to client visits, spending, revenue and staffing levels, when compared to the same period the previous year. The overall results are shown in the accompanying chart. The four indicators are examined in more detail in the following slides.

### Experienced in past six months (September 2009 to March 2010)





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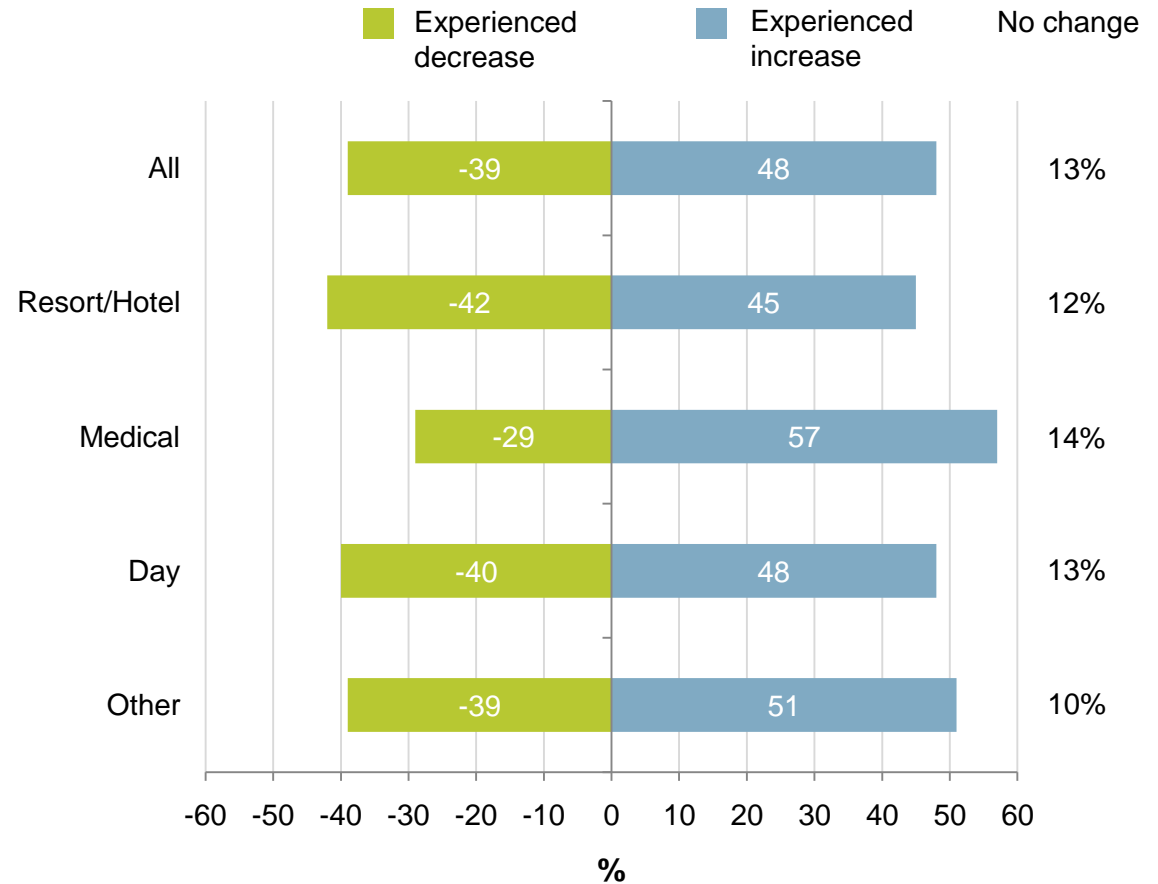
## Visits by spa type

### Spas are beginning to see an upturn in numbers of visits by clients.

When asked whether their spa had experienced an increase or decrease in visits by clients in the six months from September 2009 to March 2010, almost one in two spas (48%) reported an increase. This was nine percentage points in excess of the proportion saying they had seen a decrease (39%). The remaining 13% of spas said the number of visits had remained unchanged.

The uptick in visitor numbers was strongest among medical spas (+29 percentage points difference between increase and decrease) and weakest for resort/hotel spas (+3 percentage points positive balance).

### Experienced in past six months (September 2009 to March 2010)





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## Client spending per visit by spa type

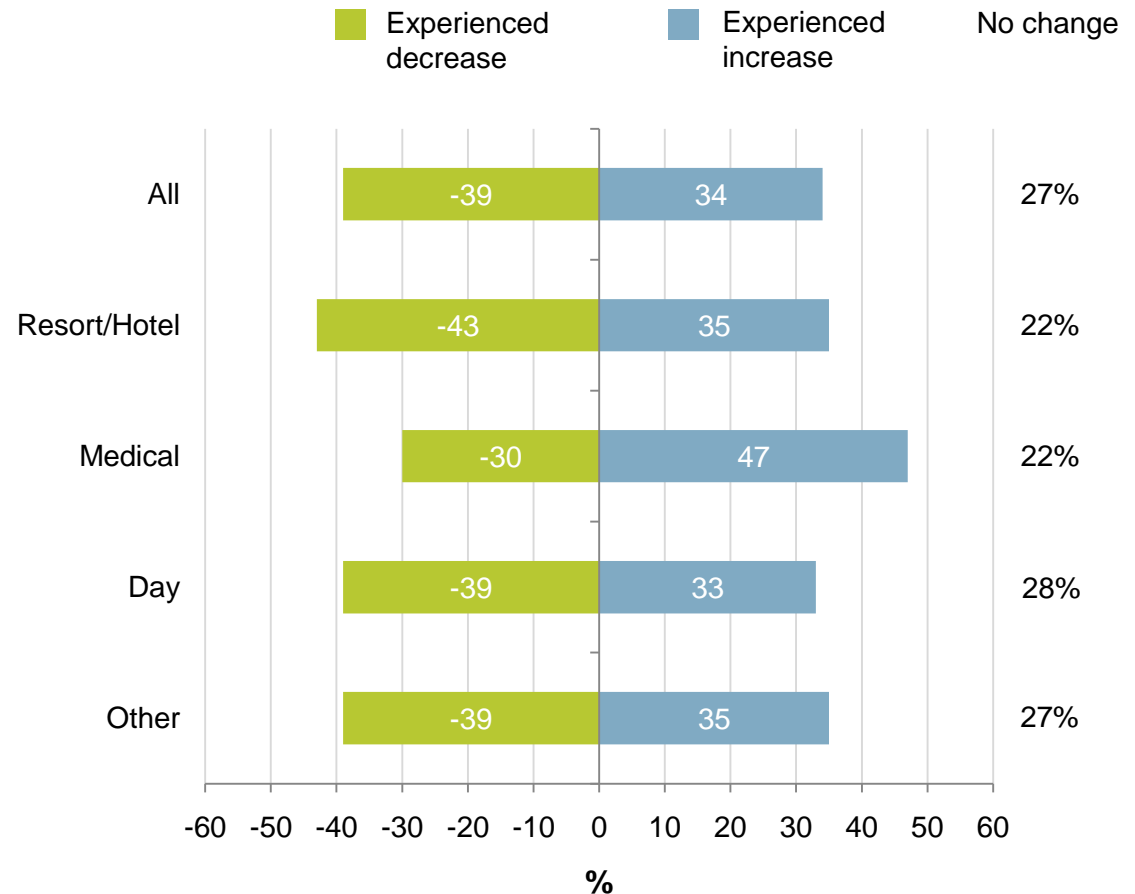
### Client spending per visit remains under pressure and holding steady at best.

One in three spas (34%) said that they had experienced an increase in client spending per visit in the six months since September 2009 compared to the same period in the previous year. A further 27% said client spending had remained the same. However, 39% of spas said they had seen a decrease in client spending.

The picture varied little by type of spa. Medical spas were the exception, with almost one in two (47%) reporting an increase in client spending compared with 30% saying that average spend had declined.

Continued softness in average client spending would suggest that profitability will remain under pressure in the near-term.

### Experienced in past six months (September 2009 to March 2010)





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## Revenue by spa type

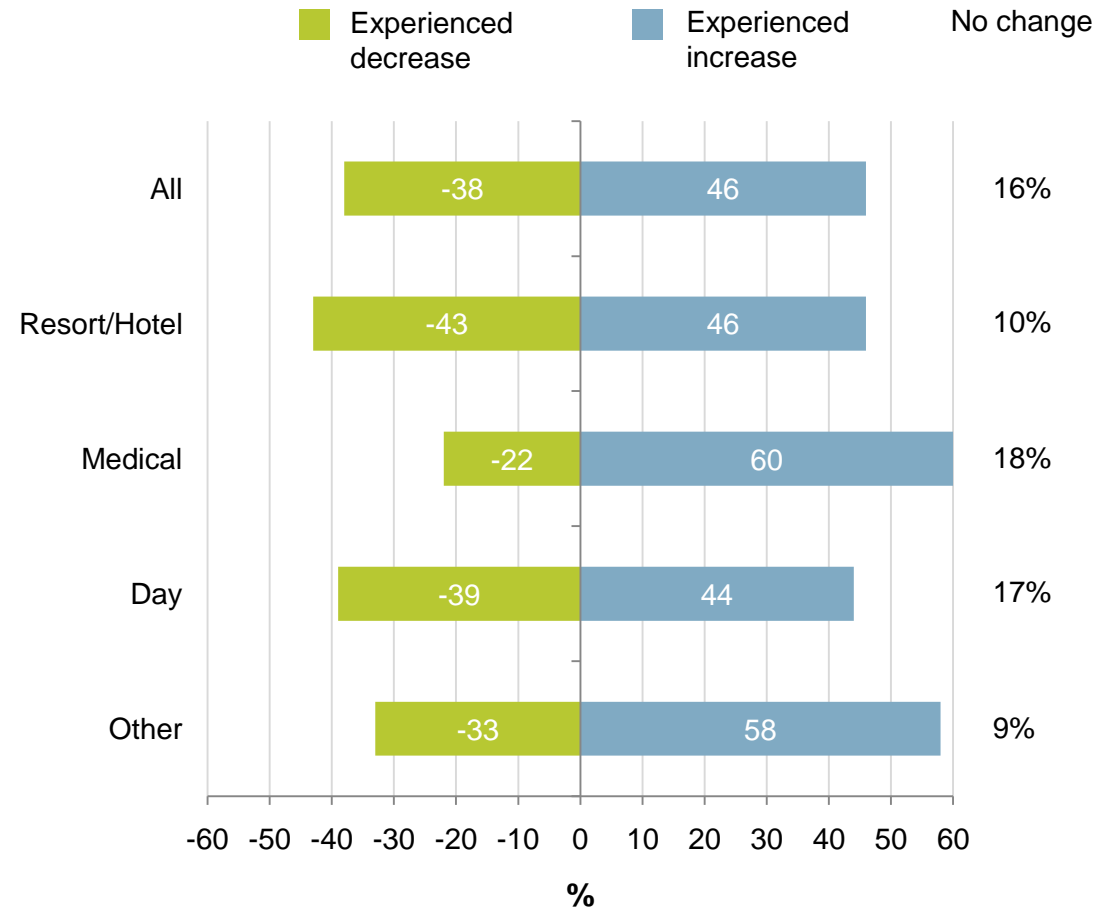
**Spas are beginning to see a modest increase in revenues, though with variations by spa type.**

Overall, 46% of spas said that revenue had increased in the six months from September 2009 compared with the same period a year previously. This was above the proportion saying that revenue had decreased (38%), by a margin of eight percentage points. As revenue is the product of visits and average spend, the upturn in client visits would appear to have outweighed the pressure on client spend per visit.

Again, medical spas reported the largest positive balance, with a gap of 38 percentage points between those reporting an increase (60%) and those saying revenue had contracted (22%).

While positive, the balance was smallest for resort/hotel spas (+3 percentage points).

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## Staffing levels by spa type

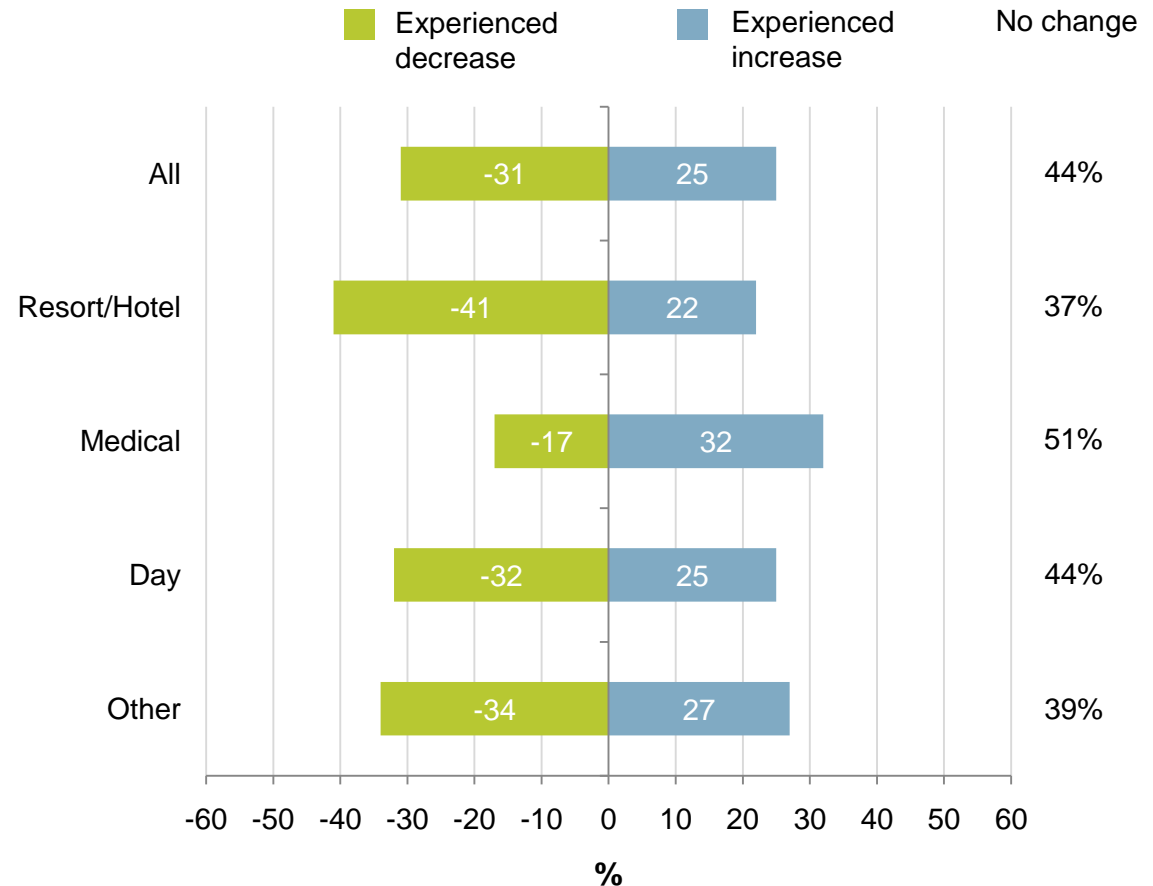
**In the six months from September 2009 to March 2010, spas were more likely to have reduced than increased staffing levels.**

When asked about their experience with staffing levels in the six months preceding the survey, the most common response by spas was that they had experienced no change (44%).

However, the proportion saying they had reduced staffing levels (31%) was above the proportion saying staffing levels had increased (25%).

Continued scaling back was most evident in the resort/hotel sector, where 41% said they had experienced a decrease in staffing levels. Within the day spa sector, the proportions increasing and decreasing were in balance. Medical spas were more likely to say they had increased staff (32%) than to have decreased (17%).

## Experienced in past six months (September 2009 to March 2010)





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## Emerging from recession: Summary

**In the six months since September 2009, relatively few spas – less than one in five - were experiencing buoyant demand. A similar proportion continue to experience declining demand.**

As measured by the proportion of spas saying that they had experienced an increase on all four indicators (visits, client spend, revenue, staffing), slightly less than one in five (17%) enjoyed relatively buoyant demand in the six months since September 2009.

A further 19% continue to face difficult conditions, with a decreasing trend on all four indicators.

Six percent of spas reported no change on any of the four indicators i.e. stable demand.

Other spas are experiencing a more mixed pattern. Thirty-eight percent reported an increase on at least one to three of the four demand indicators. The remaining 20% saw a mix of decline and no change on the four indicators of demand.

## Emerging from the recession:

**Summary of experience on four indicators of demand (visits, client spend, revenue, staffing) in the past six months (September 2009 to March 2010)**

	All	Day	Medical	Resort/Hotel	Other
<b>Number of mentions</b>					
Increasing - All indicators	17%	17%	20%	16%	17%
Decreasing - All indicators	19%	19%	9%	26%	17%
No change - All indicators	6%	6%	8%	4%	6%
Increasing - One to three indicators	38%	37%	51%	34%	44%
Mix of decreasing / no change	20%	21%	12%	20%	16%





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## The economic context

**While the recession has been declared over based on the GDP trend, the recovery has been weak through mid-2010. Recent economic indicators would suggest a cautious outlook for the industry in the near-term.**

According to the National Bureau of Economic Research, which dates recessions, the downturn ended in mid-2009. Since then, however, growth has remained weak. The labor market has lagged the recovery in output and unemployment remains high (9.6%).

With consumers struggling to pay off debt, and fearful for their jobs in a weak labor market, consumption expenditure growth has been modest, notably in personal care services, which would include the spa industry.

## Emerging from the recession: Selected economic indicators, annual percent change

	2009	2010 (Q2)
GDP	-2.6%	1.6%
Employment	-3.8%	-0.1%
Unemployment	9.3%	9.6%
<b>Personal Income (excluding transfers)</b>		
Current \$	-4.5%	3.1%
Constant (2005) \$	-4.6%	3.1%
<b>Personal Consumption Expenditure</b>		
<b>Personal Care</b>		
Current \$	0.2%	0.7%
Constant (2005) \$	-2.9%	-1.2%

Note: Income transfers are mainly comprised of Government social benefits to persons.





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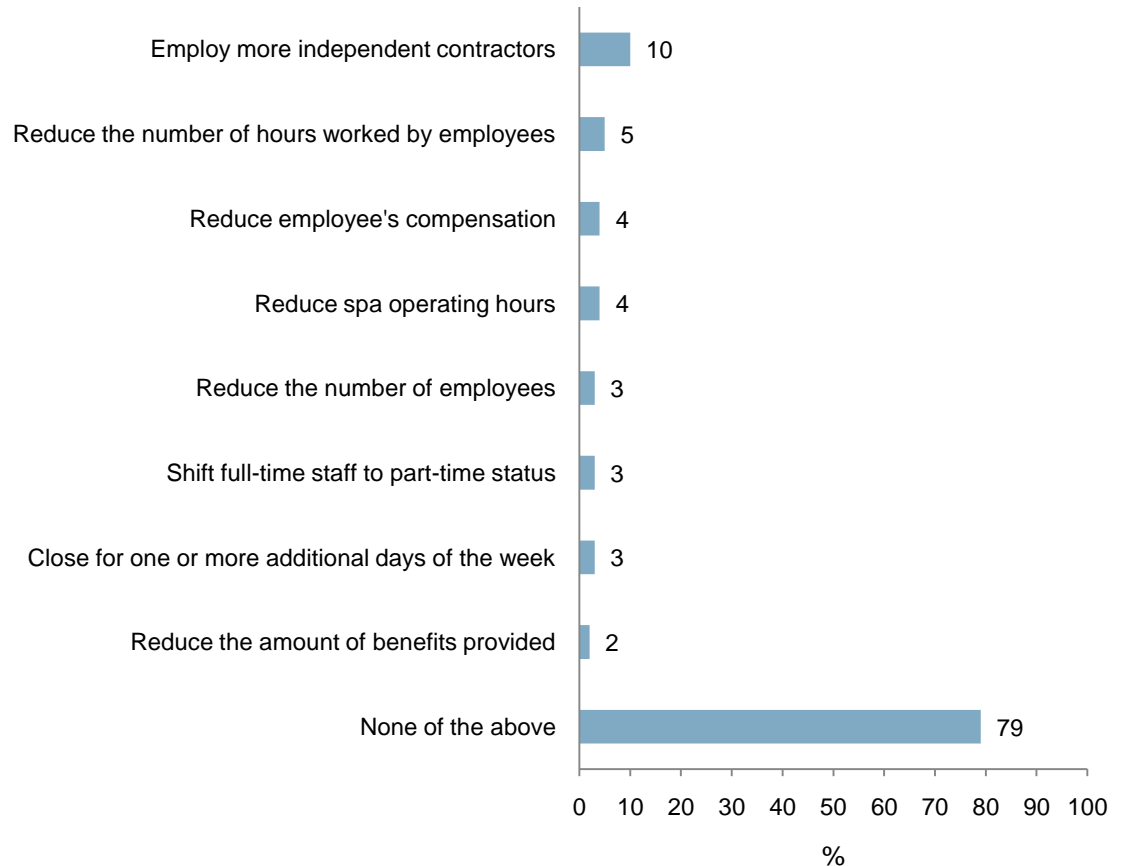
## Looking ahead: Measures spas intend taking

**Only one in five spas see the need to take further cost reduction measures in the coming six months. This hints at a degree of confidence among spas in looking to the future.**

When asked what measures they intend taking in the coming six months as a direct result of the economic downturn, only 21% of spas mentioned one or more of the actions listed in the accompanying chart.

This would seem to indicate that the majority of spas consider that they have reached a point where they need to retain capacity to meet expected future demand. Nonetheless, spas will continue to face a range of challenges going forward.

## Measures intend taking in the next six months due to economic downturn





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## Looking ahead: Ten key challenges facing the spa industry - what the survey respondents said

1. **Economy:** Impact of the recession on disposable income. Demand is down for ‘luxury items’
2. **Educating customers:** Need to educate customers on wider health/wellbeing benefits, i.e. managing and preventing stress, therapeutic. Need to promote as a lifestyle habit rather than simply a treat.
3. **Attracting new customers and maintaining loyalty among existing customers:** Customers are making fewer visits. More value conscious, spending less per visit, seeking out discounts.
4. **Attracting, paying, motivating and retaining qualified staff:** Hard to maintain qualified management and staff. High expectations regarding wages, perks etc, which are unsustainable to keep on full-time staff.
5. **Training and resources for the industry:** Better business training and knowledge needed. Cannot invest in training due to restrained budgets especially for more temporary staff.
6. **Costs, pricing and profitability:** Overheads are going up, especially wages and vendor prices. But spas do not want to sacrifice quality. Perception that many services have been overpriced in the past. Spas have to rethink pricing, staff pay and be creative to cut costs, while assuring standards are not affected and represent good value.
7. **Competition:** The marketplace has become highly competitive, reflecting the past growth in the number of spas combined with new entrants such as doctors, beauty salons, hotels, booths. Retail side also more competitive as many products that people can buy to do the treatments at home. Franchises also heightening price competition in local markets.
8. **Government taxes and regulations.**
9. **Assuring quality and consistency:** Creating a difference/service that customers can appreciate thereby assuring loyalty. Maintaining consistency of quality in a competitive marketplace, to avoid damaging the reputation of the industry and public perceptions/experiences.
10. **Discounting:** Has become a feature of the market, especially by chains. Many spas do not want to go down that route, feeling that it cheapens the product, affects quality and profits.





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## Key Points Summary

### The Impact of the Recession

No business has been left unscathed after experiencing the worst economic downturn since the 1930's. The spa industry has not been an exception.

For the first time since ISPA started conducting industry research in 2000, all 'Big 5' key data points experienced a decline over the prior year.

However, even with the decline, each of the 'Big 5' indicators remain at their second highest level since starting the research in 2000 (*last year's data was the highest*). To that extent, the spa industry has weathered the storm remarkably well.

### Why wasn't the impact greater?

Spas are managing the recession by reshaping their workforce and creatively identifying new ways to stay competitive, including:

- Increased use of part-time employees, to help control wage costs;
- Re-engineering menus to offer shorter and less expensive treatment options and forming more partnerships with local businesses and organizations to increase traffic flow; *and*
- Offering unique discounts and rewards to incentivize customer loyalty and to attract new spa-goers.





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## Key Points Summary

### Looking Ahead

The industry remains cautiously optimistic.

The survey evidence shows some signs of a return to growth, albeit modest and not yet experienced by all spas.

However, many spas have thus far sustained their business in the face of the recession but with reduced profitability. Those spas are likely to be more vulnerable in a slow growth scenario or a further downturn in demand.

The spa industry continues to face challenges as a result of the economic downturn, including:

- Educating consumers and attracting new customers;
- Managing costs without sacrificing quality;
- Discounting without cheapening the product or damaging reputation; *and*
- Attracting, paying, motivating and retaining qualified staff.





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Spa Industry Profile





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## Section 3: Introduction

This Section presents a profile of the estimated 20,610 spa industry establishments located across the U.S. The spa industry is diverse, with establishments varying by size, facilities, range of services offered, as well as the people who work in spas and the clients they serve.

In this Section, interest centers on spa establishments, under the following headings:

- What is the composition of the industry by type of spa?
- What are the main contrasts by type of spa establishment in respect of the key industry size statistics i.e. average revenues, visits, floorspace and employment?
- Where are spas located?
- What is the age profile of spa establishments, as measured by year of start-up?
- How many spas are affiliated with a corporate headquarters or franchise?
- What environmentally friendly practices are found in spas?





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## Industry composition: Type of spa

### The composition of the industry by type of spa in 2010 has remained broadly similar to previous years.

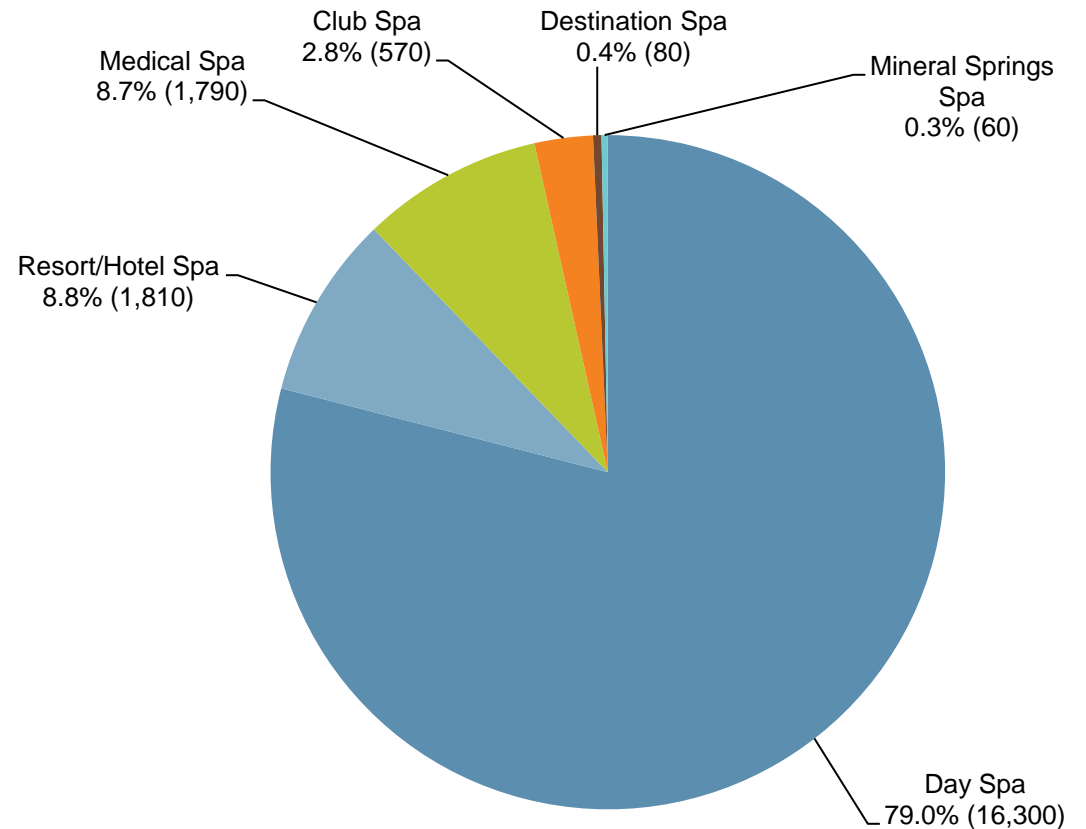
As in all previous spa industry studies, day spas comprise the majority of establishments in the spa industry (79.0%). This represents a slight decline from 79.5% in 2009.

Resort/hotel spas comprise the second largest segment of the industry, with 1,810 locations accounting for 8.8% of all spas.

At 1,790 (8.7%), the estimated number of medical spa locations is only marginally below the number of resort/hotel spas.

In the remainder of this Section, the remaining 710 spas are combined into the 'Other' category, due to their sample sizes in the survey undertaken for this study.

### Type of spa





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## Size differences

Spas vary considerably across each of the key average size indicators, both across and within the main spa type segments.

Regardless of the measure used, resort/hotel spas are larger on average than the remaining spa types. In 2009, average revenue per spa in the resort/hotel sector (\$1.458 million) was 2.5 times larger than the average for all spas and three times larger than the average day spa (see the key ratios by spa type in following slide). A similar picture is observed for visits per spa, average floorspace and employment.

However, within each sector, there is also considerable diversity. For example, in the day spa sector, 45% of establishments had revenues below \$200,000 in 2009 whereas 14.5% generated revenues of \$1 million or more.

The diversity in the spa industry can also be illustrated by comparing average and median revenues. The median is the middle value in the distribution of revenues. In 2009, median day spa revenues were \$0.245 million i.e. one in two day spas had revenues below \$0.245 million and the remainder had revenues above that amount. Median day spa revenues can be compared with the average revenue figure of \$0.49 million. Thus, in the day spa sector, one in two establishments generated revenue that was less than half the average. In the day spa sector, the average is above the median because a relatively small proportion of day spas generate relatively high revenue amounts, in excess of \$1 million.

A similar pattern can be seen within each type of spa and for each of the four average spa size indicators.







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## Key ratios by spa type

	All	Day	Medical	Resort /Hotel	Other
<b>Revenue per Spa</b>	<b>\$594,000</b>	<b>\$490,000</b>	<b>\$519,000</b>	<b>\$1,458,000</b>	<b>\$999,000</b>
Per visit	\$86	\$76	\$132	\$108	\$118
Per sq ft	\$161	\$185	\$211	\$106	\$183
Per employed person	\$36,941	\$34,810	\$54,692	\$39,366	\$38,749
<b>Visits per Spa</b>	<b>6,939</b>	<b>6,468</b>	<b>3,930</b>	<b>13,506</b>	<b>8,468</b>
<b>Square Footage per Spa</b>	<b>3,702</b>	<b>2,655</b>	<b>2,463</b>	<b>13,713</b>	<b>5,460</b>
<b>Total Employees per Spa</b>	<b>16.1</b>	<b>14.1</b>	<b>9.5</b>	<b>37.0</b>	<b>25.8</b>
Full-Time	6.7	5.7	4.3	17.0	9.6
Part-Time	6.6	5.7	3.5	16.2	12.9
Contract	2.8	2.7	1.6	3.8	3.3

Other: Includes club, mineral springs and destination spas.



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## Median values by spa type

Across each type of spa, the median values for key size indicators are all below the average values. The median is the value in the middle of the distribution, i.e. one in two day spas generated revenue of less than \$245,000, representing 50% of the day spa average (\$490,000). As it is less affected by very large values, the median serves better to illustrate the size of the ‘typical’ spa within each category. Note also that the median varies sharply from one type of spa to another.

Median Per Establishment	All	Day	Medical	Resort /Hotel	Other
<b>Revenue</b>	<b>\$300,000</b>	<b>\$245,000</b>	<b>\$437,000</b>	<b>\$850,000</b>	<b>\$550,000</b>
<b>Visits per Spa</b>	<b>3,616</b>	<b>3,500</b>	<b>2,500</b>	<b>9,000</b>	<b>5,050</b>
<b>Square Footage</b>	<b>2,000</b>	<b>1,900</b>	<b>1,900</b>	<b>10,000</b>	<b>2,940</b>
<b>Total Employees</b>	<b>7</b>	<b>5</b>	<b>5</b>	<b>21</b>	<b>15</b>
Full-Time	3	3	3	10	5
Part-Time	4	2	2	11	10
Contract	0	0	0	0	0



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## The Big 5: Composition by spa type

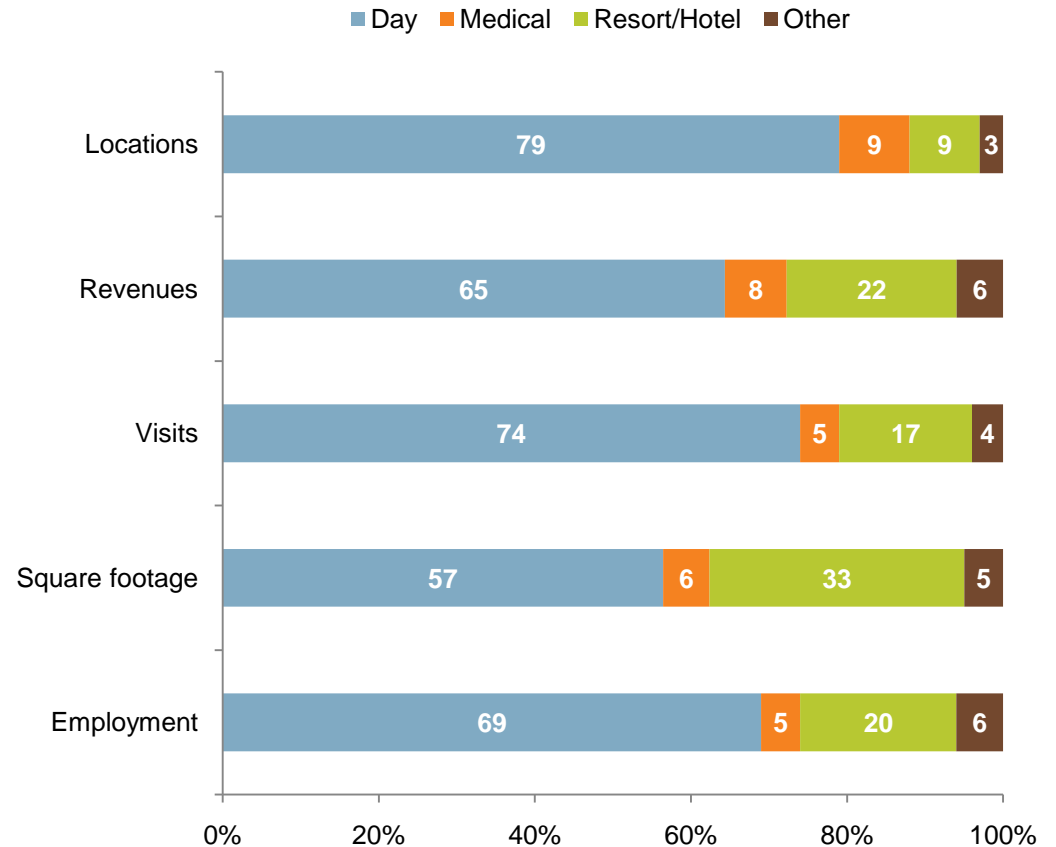
**Reflecting the differences in average size measures by spa type, the composition of the spa industry varies across the 'Big 5' statistics.**

While they account for fewer than one in ten spa establishments, resort/hotel spas generate 22% of total industry revenue. This directly reflects the larger average revenue of resort/hotel spas.

Similarly, resort/hotel spas have a larger share of square footage than their share of establishments.

The composition of spa visits by type of spa is more closely aligned with the distribution of spa establishments. For example, day spas generate 74% of visits compared to 65% of revenues. Day spas' share of visits is closer to their share of locations (79%) because average revenue per visit for day spas (\$76) is below the average for all spas (\$86) (see Key Ratios page 41).

### Composition by spa type





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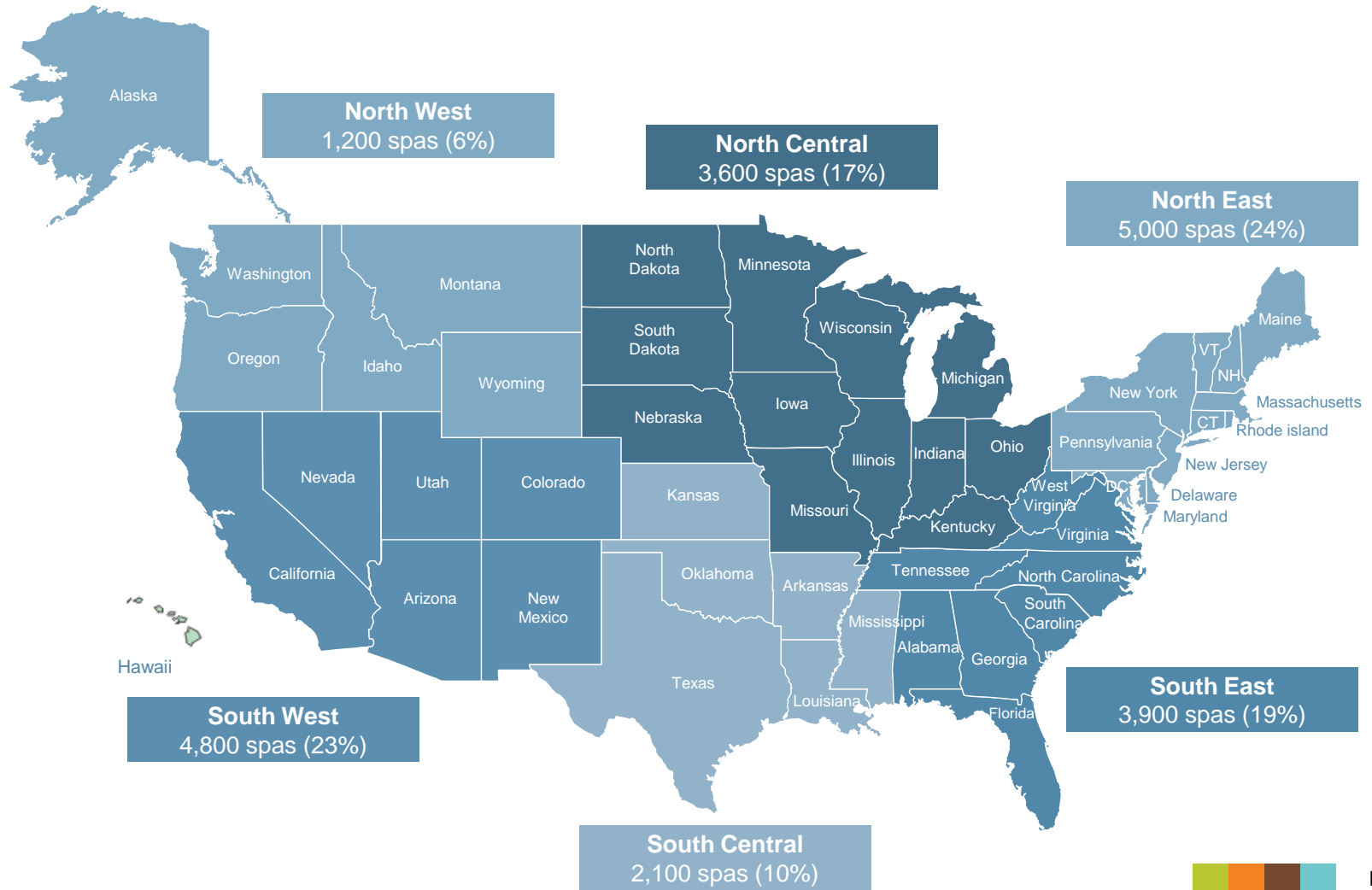
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## The distribution of spa establishments by region





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## Geography of the spa industry: Regional distribution

**The regional distribution of the spa industry broadly follows the regional pattern in the distribution of personal income.**

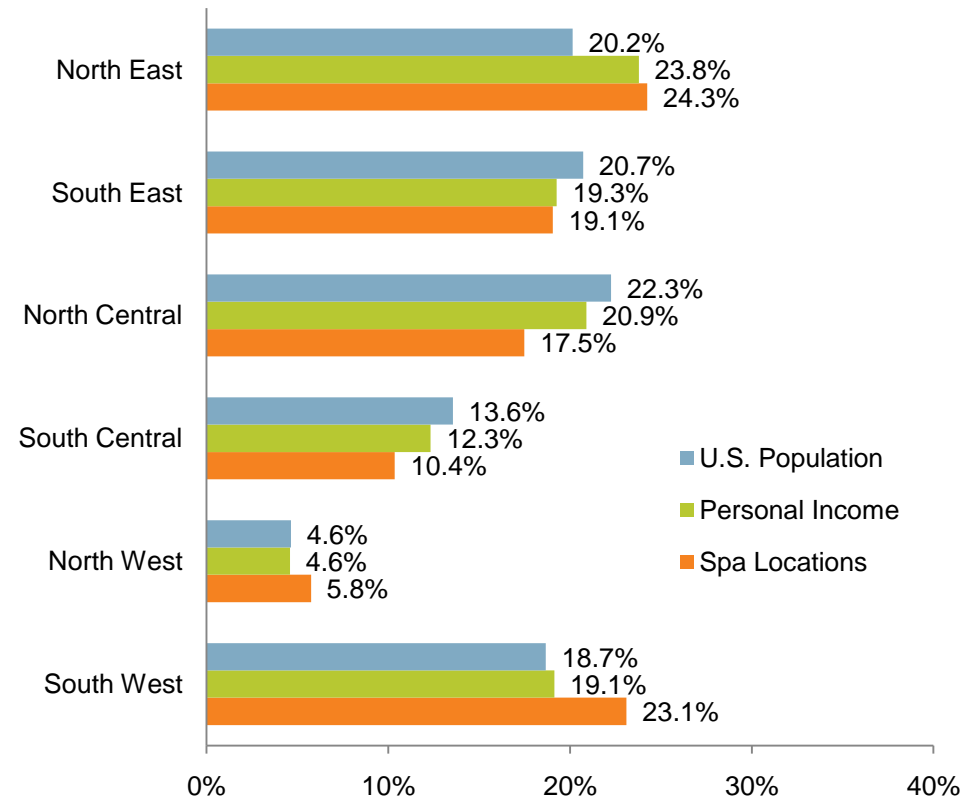
There is not, however, a perfect linkage between personal income shares and spa locations.

The South West has a higher share of spas compared to its share of personal income. That is, there is a relative concentration of the industry in that region.

The closer relationship with personal income than population shares indicates that the industry is more heavily concentrated in regions with above average per capita incomes. This effect is most noticeable in the share of spas located in the North East region, which has the highest per capita income in the U.S.

In the North and South Central regions, with below average per capita income levels (the population share exceeds the personal income share), spas are under-represented relative to both their population and income shares.

**Regional distribution of U.S population, personal income and spa locations**





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## Geography of the spa industry: Composition of spa types by region

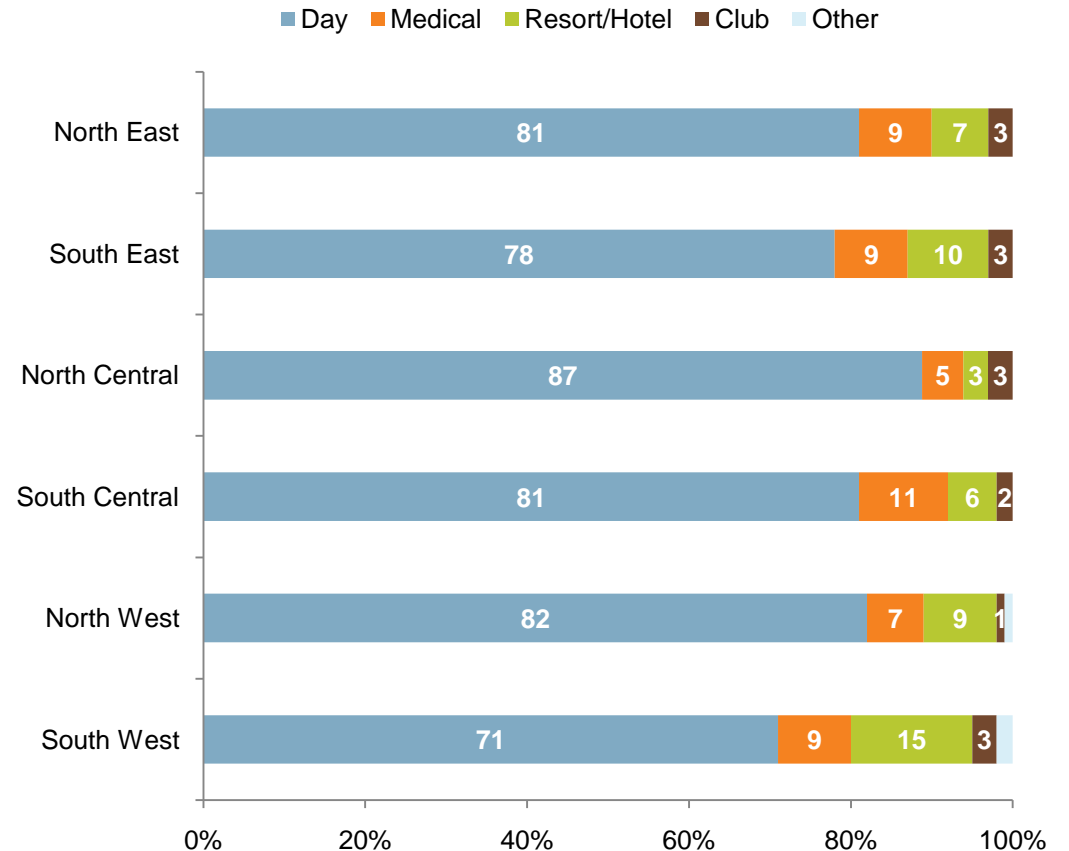
**In most regions, the distribution of spa establishments by type does not vary greatly from the national average profile. The major exceptions are the South West and North Central.**

In four of the six regions, day spas comprise between 78% and 82% of all spa establishments, little different from the national average of 79%.

By contrast, in the South West, day spas are 71% of the total number of establishments. Resort/hotel spas account for 15% of establishments in the South West.

In the North Central region, day spas account for 87% of all establishments. Both medical spas (5%) and resort/hotel spas (3%) are under-represented when compared with their national average shares of 9% each.

### Composition of spa types by region





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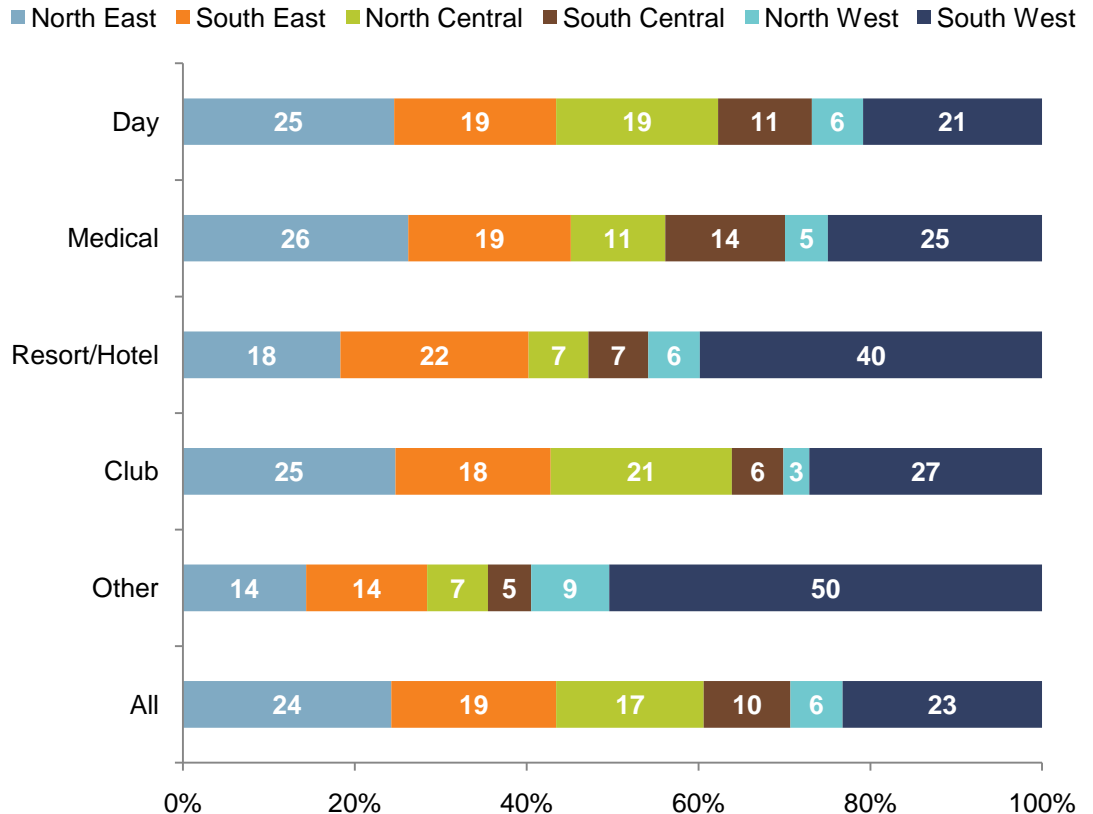
## Geography of the spa industry: Distribution of spa types by region

**The regional distribution of spa types varies considerably. Club, day and medical spas broadly follow the regional pattern in personal income.**

**Resort/hotel, mineral springs and destination spas are more heavily concentrated in the South West.**

The South West contains 40% of resort/hotel spas and 50% of the combined total of mineral springs and destination spas, well in excess of its 19% share of personal income and a similar share of population. This reflects both the historical evolution of the industry and the attractiveness of the region's spa product to visitors from outside the region.

### Distribution of spa types by region





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## Key ratios by region

The key ratios by region should be interpreted with caution, particularly when comparing with the national average statistics.

	All	North East	South East	North Central	South Central	North West	South West
<b>Revenue per Spa</b>	<b>\$594,000</b>	<b>\$553,000</b>	<b>\$558,000</b>	<b>\$460,000</b>	<b>\$657,000</b>	<b>\$627,000</b>	<b>\$731,000**</b>
Per visit	\$86	\$84	\$91	\$68	\$98	\$66	\$97
Per sq ft	\$161	\$150	\$138	\$153	\$217	\$190	\$168
Per employed person	\$36,941	\$37,396	\$35,417	\$31,234	\$41,603	\$33,006	\$40,340
<b>Visits per Spa</b>	<b>6,939</b>	<b>6,610</b>	<b>6,114</b>	<b>6,791</b>	<b>6,685</b>	<b>9,505</b>	<b>7,549</b>
<b>Square Footage</b>	<b>3,702</b>	<b>3,695</b>	<b>4,052</b>	<b>3,011</b>	<b>3,025</b>	<b>3,295</b>	<b>4,343**</b>
<b>Total Employees</b>	<b>16.1</b>	<b>14.8</b>	<b>15.8</b>	<b>14.7</b>	<b>15.8</b>	<b>19.0</b>	<b>18.1</b>
Full-Time	6.7	5.8	7.5	5.5	8.2	7.4	7.1
Part-Time	6.6	6.2	5.5	7.2	4.3	9.8	8.0
Contract	2.8	2.8	2.8	2.1	3.3	1.8	3.1
<b>Locations</b>	<b>20,600</b>	<b>5,000</b>	<b>3,900</b>	<b>3,600</b>	<b>2,100</b>	<b>1,200</b>	<b>4,800</b>
<b>% of total locations</b>	<b>100%</b>	<b>24%</b>	<b>19%</b>	<b>17%</b>	<b>10%</b>	<b>6%*</b>	<b>23%</b>

Notes:

\*Sample sizes will inevitably be reduced at the regional as compared to the national U.S. level. The smaller the sample size, the more variable will be the results. This factor is of particular relevance to the North West. Reflecting its share of spa establishments, the North West has a 6% share of the sample.

\*\*As spas in the resort/hotel sector tend to be larger than the average, the relatively high share of resort/hotel spas in the South West will tend to boost the region's average figures for revenues and floorspace in particular.



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## Year spa business started

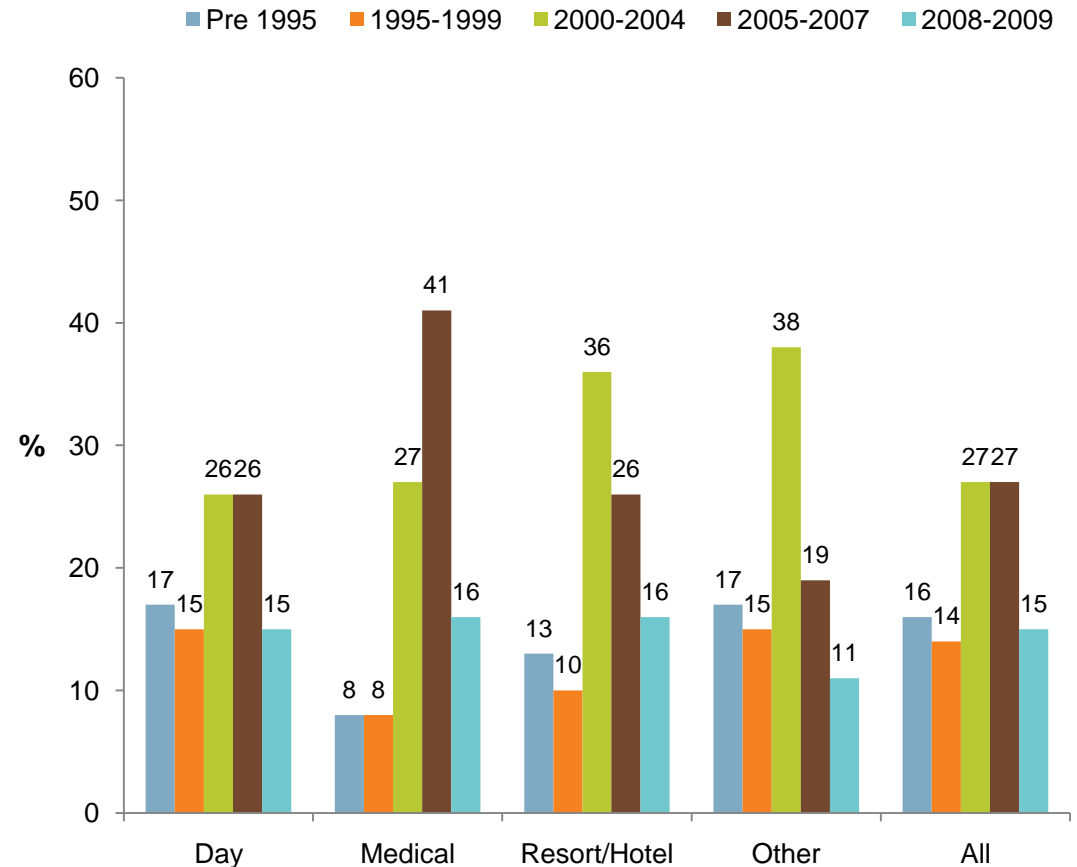
**Testimony to the growth that has been witnessed in the past decade, the majority of spa businesses (70%) were started in the period from 2000 onwards.**

Based on the criterion of having started in 2000 or later, the spa sectors with the youngest profile are medical spas (83% 2000 and later) and resort/hotel spas (77%).

The two sectors differ in the timing of their periods of most rapid expansion. Resort/hotel spas grew most rapidly in the period from 2000-2004, when 36% of currently existing businesses started up.

In the medical spa sector, the period from 2005-2007 was the most buoyant, with 41% of medical spas starting in those years.

## Year spa business started



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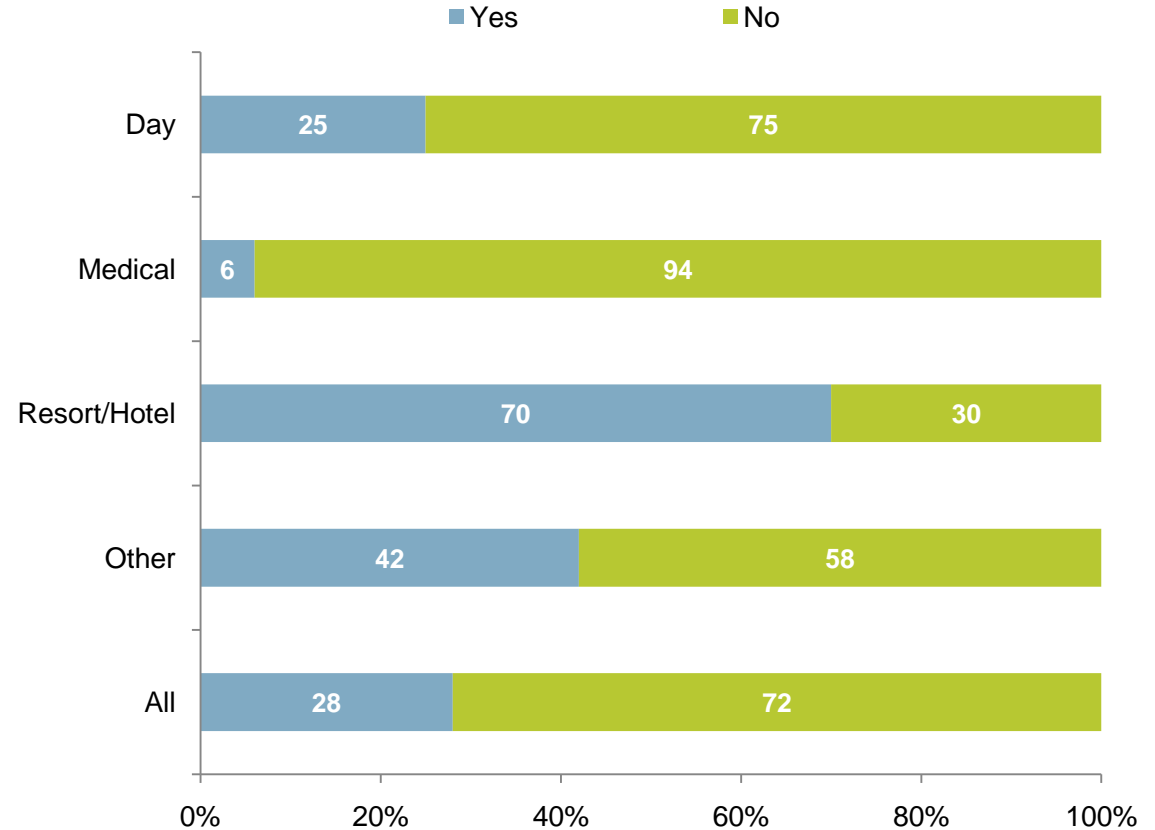
## Affiliated with a corporate headquarters or franchise

**When asked to indicate if they are affiliated with a corporate headquarters or franchise, 28% of spas answered in the affirmative.**

When analyzed by spa type, the proportion saying they are affiliated with a corporate headquarters or franchise ranged from a low of 6% among medical spas to a high of 70% among resort/hotel spas.

One in four day spas (25%) said they are affiliated with a corporate headquarters or franchise.

### Affiliated with a corporate headquarters or franchise





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## Environmentally sustainable practices

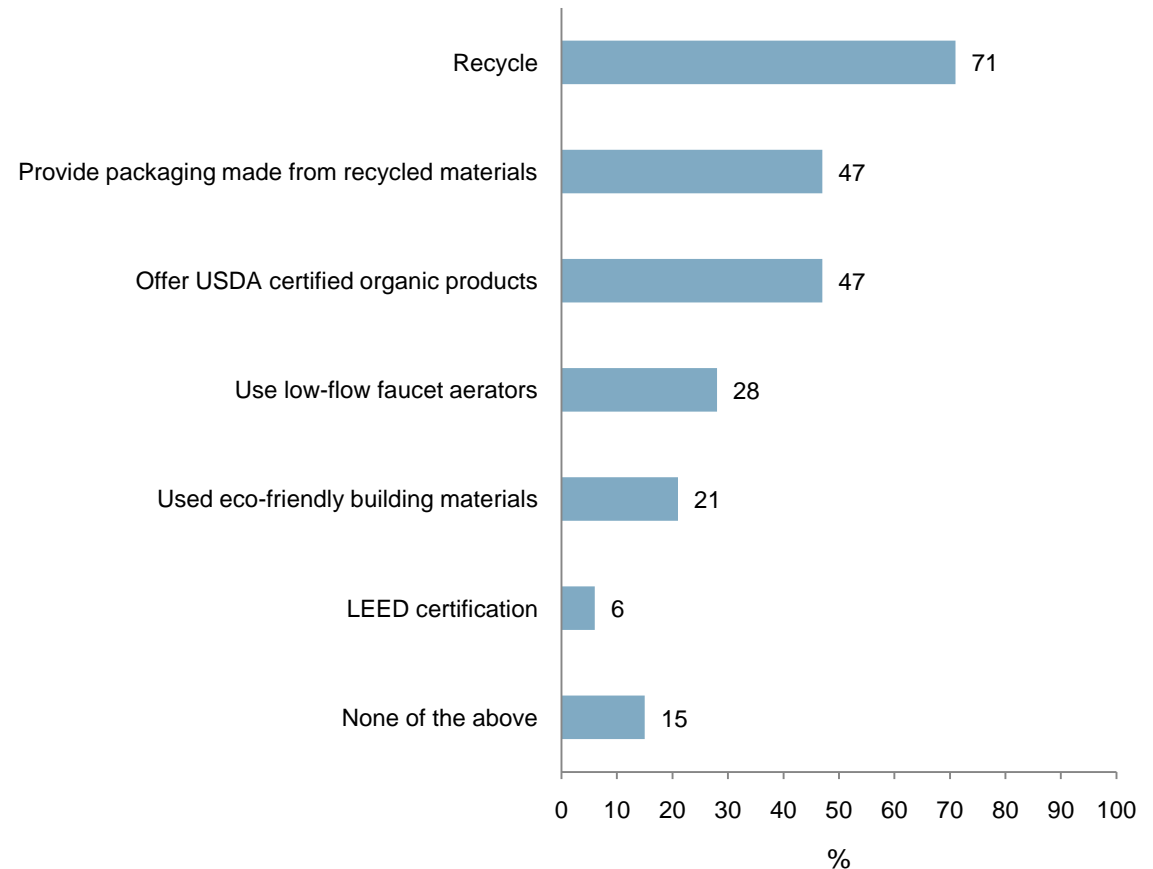
**A large majority of spas (85%) indicated that they currently apply one or more environmentally sustainable practices.**

Recycling is the most common environmentally sustainable practice currently applied by spas (71%), followed by provision of packaging made from recycled materials and offering organic products, both 47%.

The pattern did not vary greatly by spa type, the main contrast being that 36% of medical spas did not list any practices compared to 15% of all spas.

The average number of practices applied was 2.6 per spa.

## Environmentally sustainable practices





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## Key points summary

The following is a summary of the key points from the profile of spa establishments:

- The composition of the industry by type of spa in 2010 has remained broadly similar to previous years.
- Spa establishments vary considerably across each of the key average size indicators, both across and within the main spa type segments.
- Regardless of the measure used, resort/hotel spas are larger on average than the remaining spa types.
- Within each sector, there is also considerable diversity in average values per spa for revenue, visits, floorspace and employment.
- The regional distribution of the spa industry broadly follows the regional pattern in the distribution of personal income.
- The regional distribution of spa types varies considerably. Club, day and medical spas broadly follow the regional pattern in personal income.
- Resort/hotel, mineral springs and destination spas are more heavily concentrated in the South West.
- Testimony to the growth that has been witnessed in the past decade, the majority of spa businesses (70%) were started in the period from 2000 onwards.
- A large majority of spas (85%) indicated that they currently apply one or more environmentally sustainable practices.



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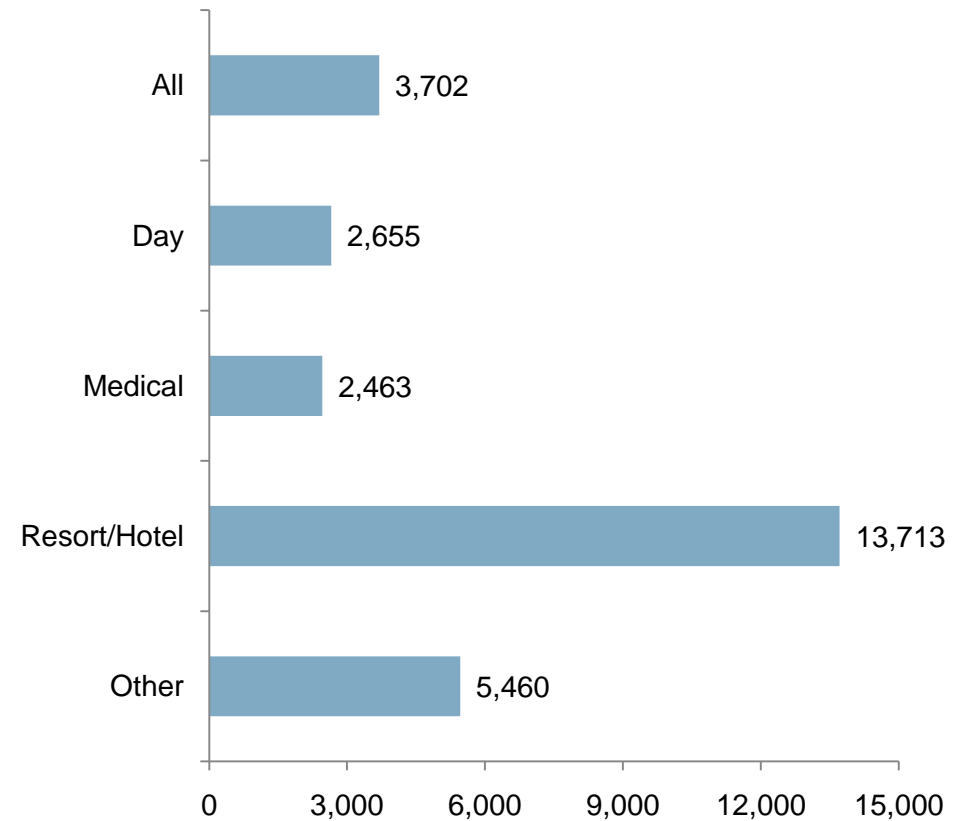
## Section 4: Introduction

**This Section presents a picture of the 76 million square foot of indoor space occupied by spa establishments, i.e. what the spa visitor can expect to find when she or he enters a spa.**

The Section addresses the following topics:

- What are the elements included in the facilities that spas operate?
- What types of treatment rooms can be found in spas?
- How many treatment rooms are contained within the typical spa?
- How many salon service stations?

**Spa facilities: Average size (sq ft)**





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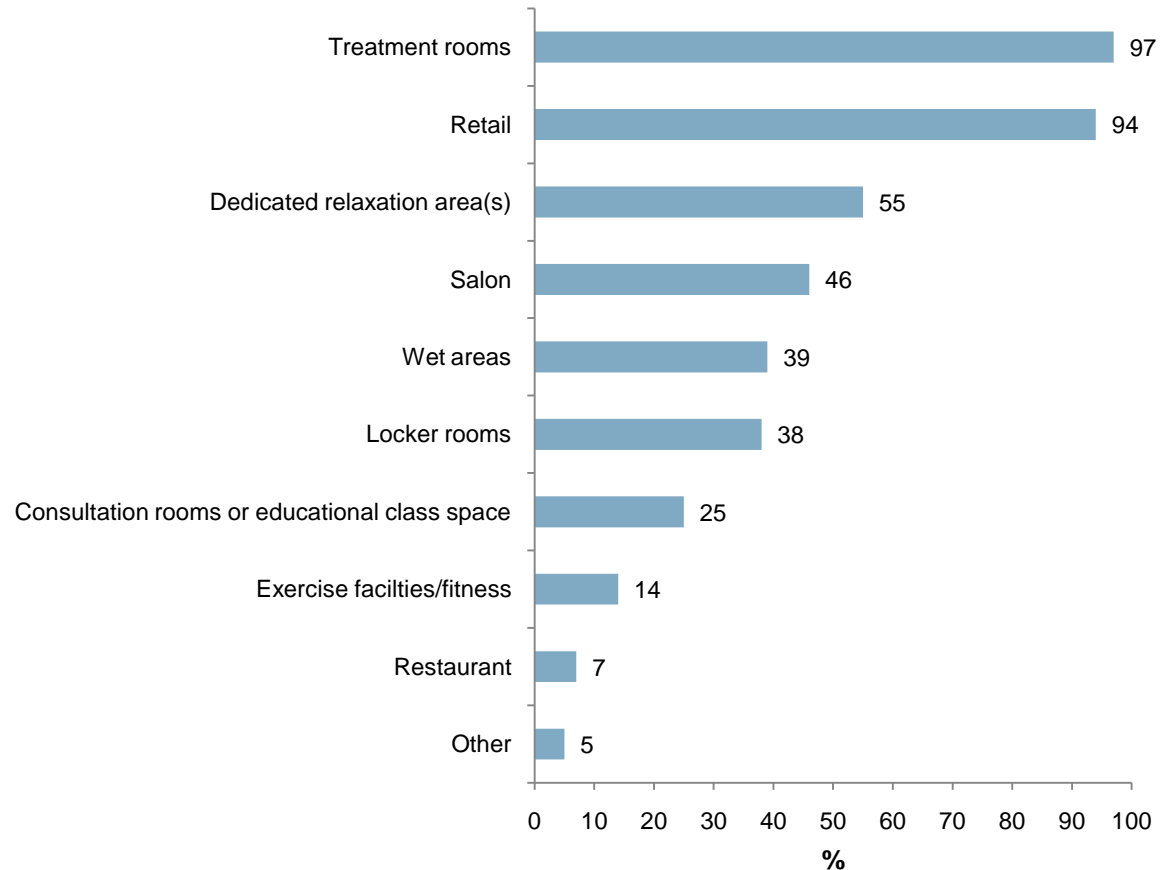
## Indoor square footage: Elements

**Almost all spas contain one or more treatment rooms and also a retail element. The remaining elements of indoor square footage vary according to the type of spa.**

The elements of indoor square footage averaged across all spas is shown in the accompanying chart. The table following this slide shows the elements by type of spa.

The average number of elements per spa is 4.2, ranging from 3.7 per medical spa to 6.1 per resort/hotel spa.

### Elements of indoor square footage





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## Indoor square footage: Elements by spa type

	All	Day	Medical	Resort/Hotel	Other
Treatment rooms	97%	96%	98%	100%	98%
Wet areas	39%	36%	26%	75%	56%
Exercise facilities/fitness	14%	7%	10%	64%	60%
Consultation rooms or educational classes	25%	21%	55%	21%	48%
Restaurant	7%	5%	4%	13%	42%
Retail	94%	94%	92%	97%	93%
Salon	46%	48%	13%	60%	39%
Dedicated relaxation areas	55%	52%	36%	86%	69%
Locker rooms	38%	32%	28%	86%	68%
Other	5%	5%	7%	6%	65
Average number of elements	4.0	3.7	6.1	5.8	4.2





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## Treatment rooms: Spa treatments

### Spas typically contain a mix of spa treatment rooms.

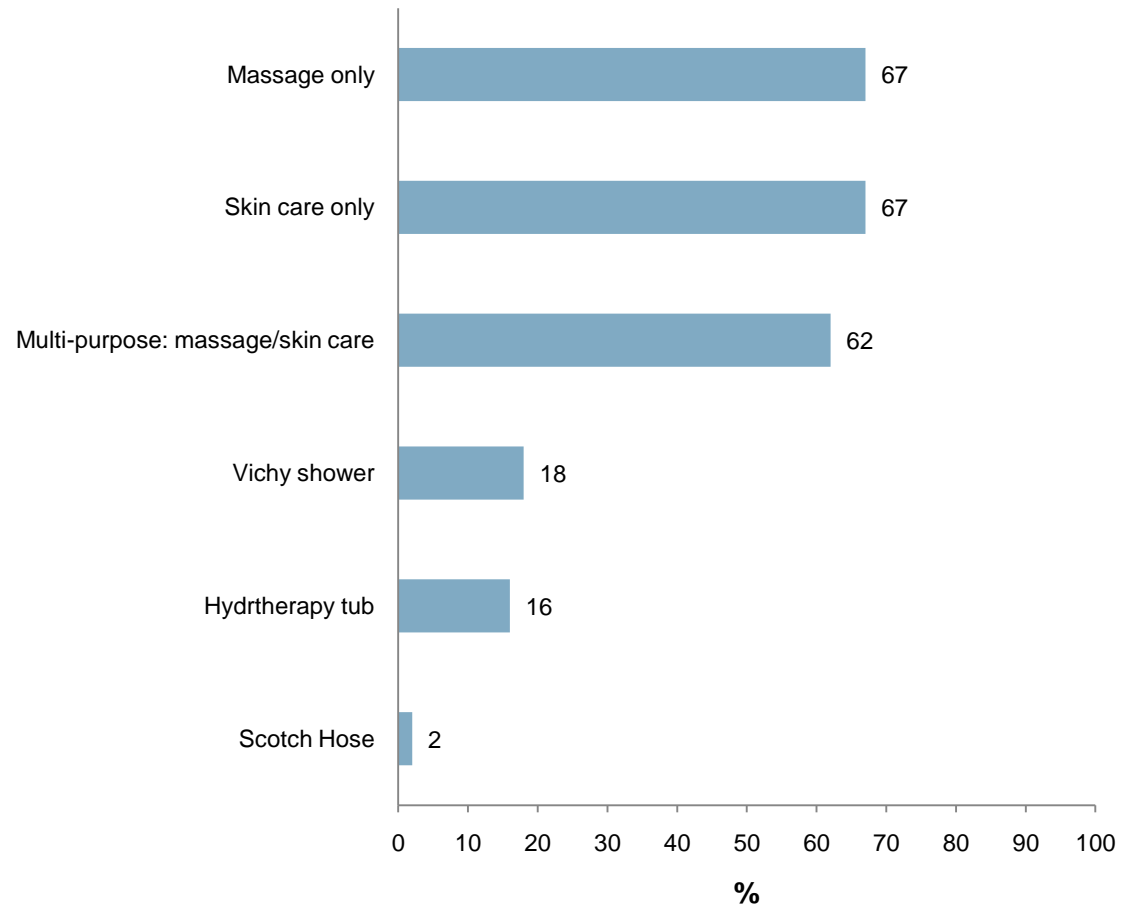
Two in three spas (67%) contain massage only treatment rooms, ranging from 83% of resort/hotel spas to 43% of medical spas.

A similar proportion contains skin care only rooms, found in 71% of both medical and resort/hotel spas. Multi-purpose rooms are available in 62% of spas.

Hydrotherapy tubs and Vichy showers are less frequent, found within 16% and 18% of spas respectively. Both types of rooms are more often found in resort/hotel spas, at 41% for Vichy showers and 34% for tubs.

Regardless of type, few spas (2%) contain Scotch Hose rooms.

### Spa treatment rooms





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## Treatment rooms: Speciality treatments

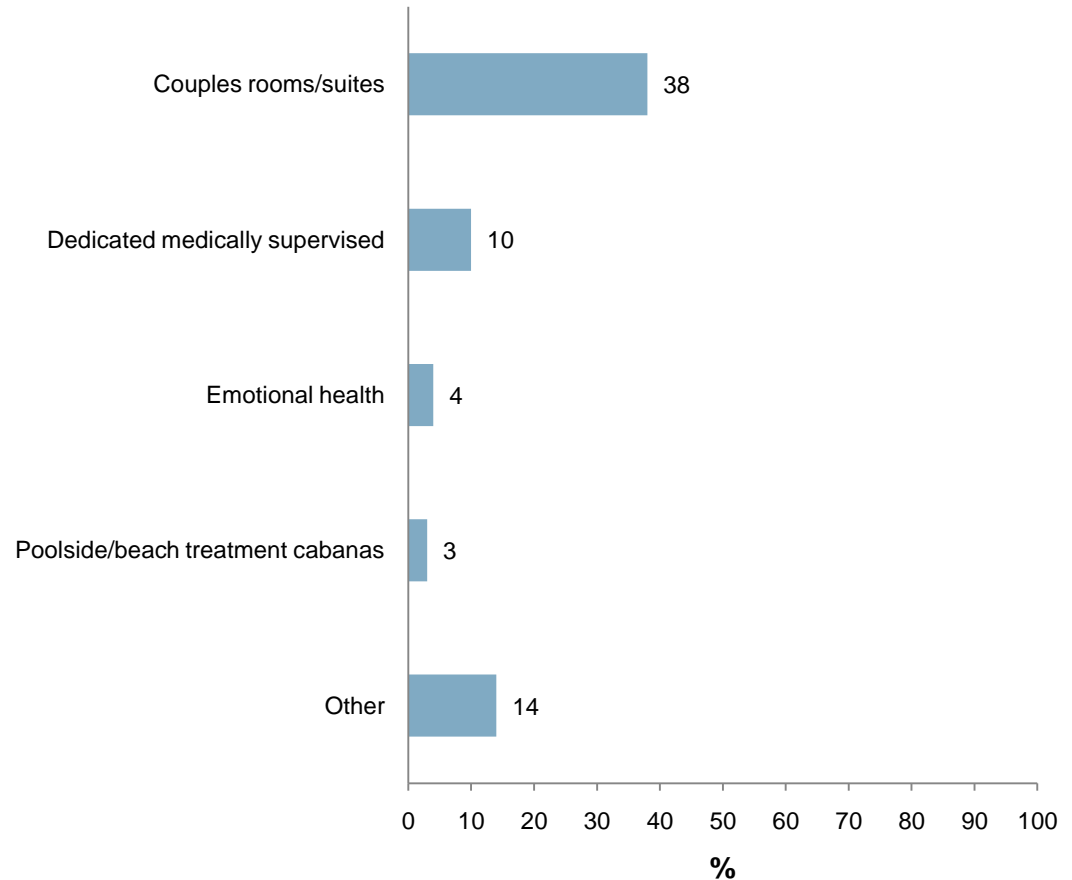
**Specialty treatment rooms are found in 54% of spas, ranging from 48% of day spas to 73% of medical spas and 83% of resort/hotel spas.**

Couples rooms/suites are the most frequently occurring specialty treatment room, contained within 38% of all spas, ranging from 35% of day spas to 80% of resort/hotel spas.

Dedicated medically supervised rooms are mainly contained within medical spas (65%); very rarely in other types of spas (3% on average).

Cabanas are typically contained within resort/hotel and other spas (19% each).

### Speciality treatment rooms





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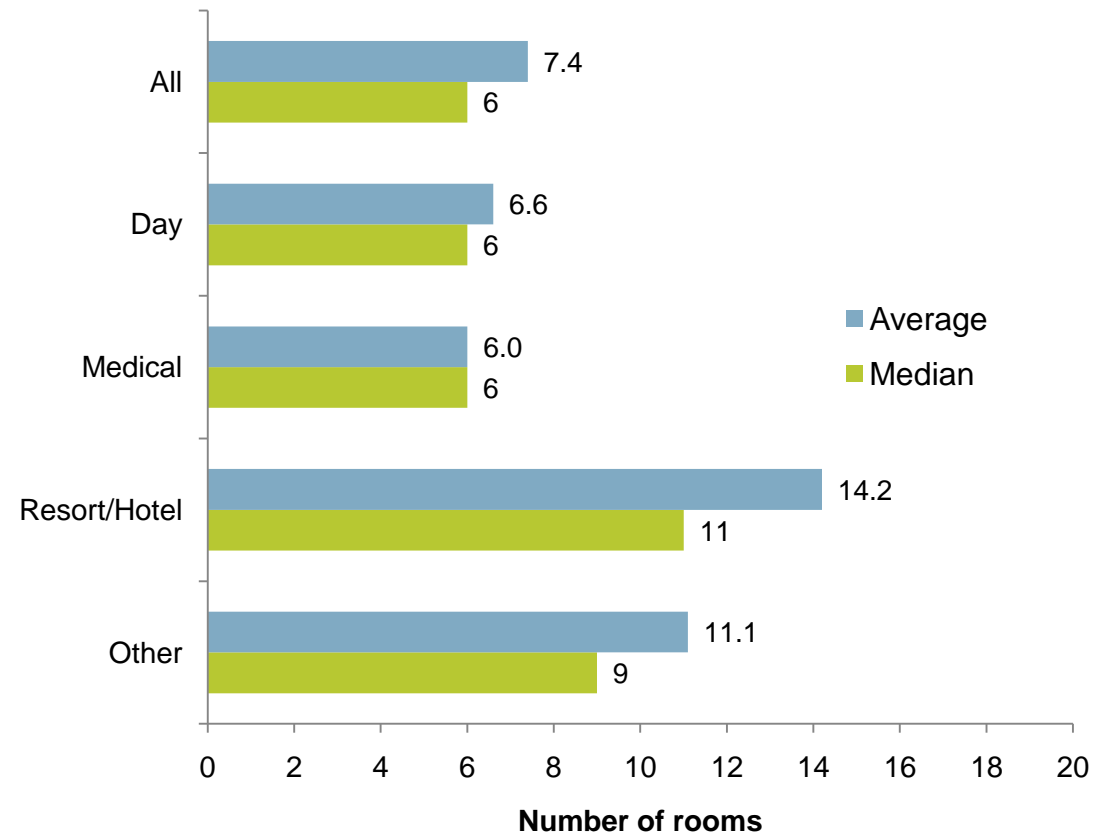
## Number of rooms

**On average, spas contain 7.4 treatment rooms. The median number of rooms is six; that is, one in two spas contain more than six rooms with the remainder containing fewer than six.**

Almost all spas contain 1+ spa treatment rooms. Across all spas, the average number of such rooms is 6.4, ranging from 4.6 in medical spas to 12.2 in the larger scale resort/hotel sector.

Among the 54% of spas with specialty treatment rooms, the average number of such rooms is two, varying little by spa type.

**Average number of treatment rooms (includes speciality rooms)**





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## Salon services: Stations

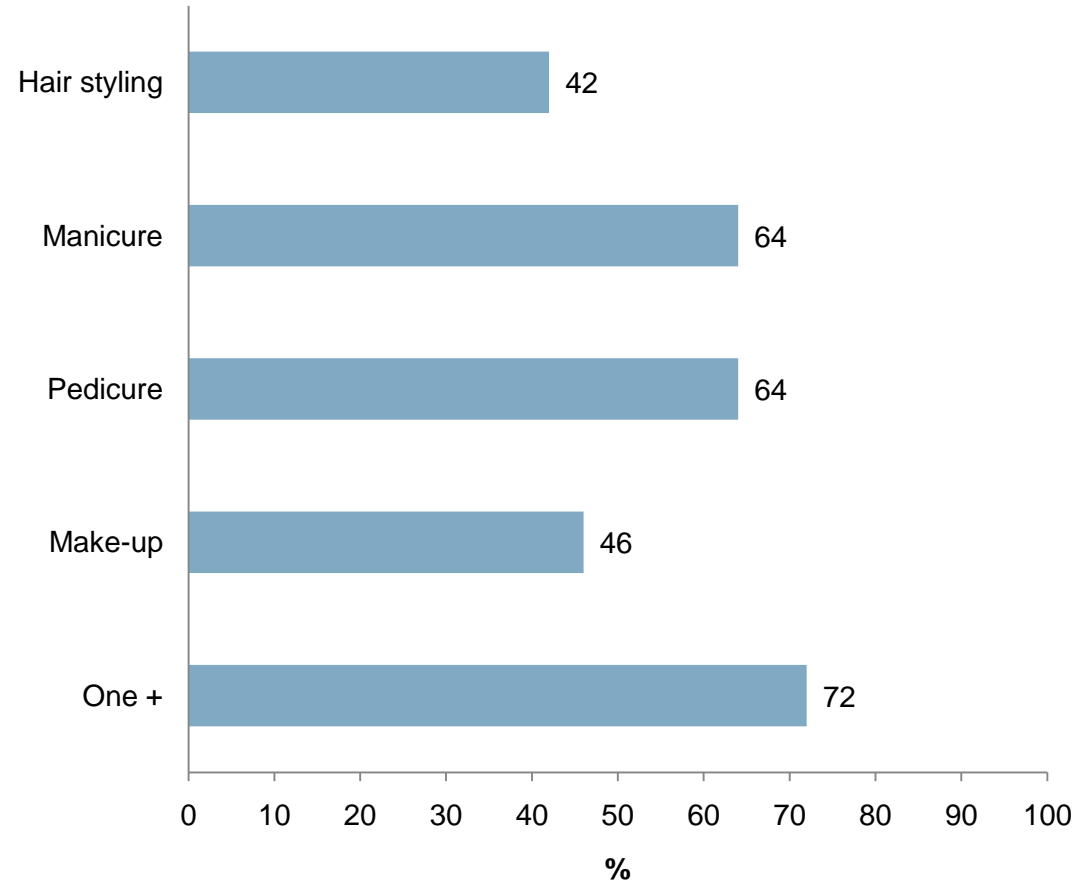
**Salon service stations are contained within 72% of spas, most frequently for manicure and pedicure (64% each).**

Four in ten spas (42%) contain hair styling stations, most frequently in day spas (45%) and resort/hotel spas (51%). Fewer than one in ten medical spas (9%) contain hair styling stations.

Manicure and pedicure service stations are most often found in resort/hotel spas (85%), followed by the other spa category (69%) and day spas (65%). Less than one in four medical spas contain such stations.

Almost one in two spas (46%) contain make-up stations. The frequency of such stations varies little by spa type.

### Salon services stations





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## Number of salon service stations

**Among the 72% of spas containing salon service stations, the average number of stations was 11.4.**

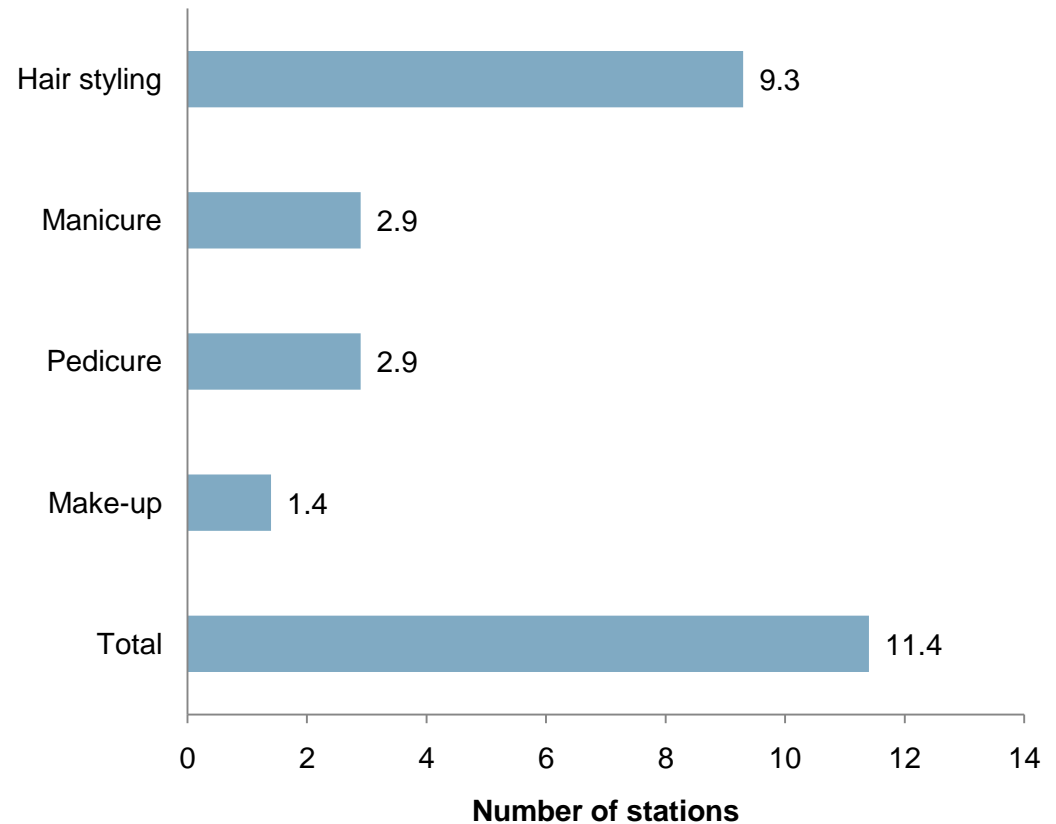
In the 42% of spas where they are to be found, the average number of hair styling stations is nine. This element of indoor space tends to be more extensive in day spas, with an average of 10.3 hair styling stations (in spas containing such stations), compared to 3-4 in other types of spa.

In spas containing such elements, there are typically three manicure and pedicure stations and one make-up station.

When analyzed by type of spa, the total number of salon service stations ranges from 4.1 in medical spas to 12.4 in day spas.

*Base number of spas per type of station: spas containing 1+ stations of each type*

**Salon service stations by type:  
Average per spa containing the type of station**





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## Grand total of spa/salon revenue stations

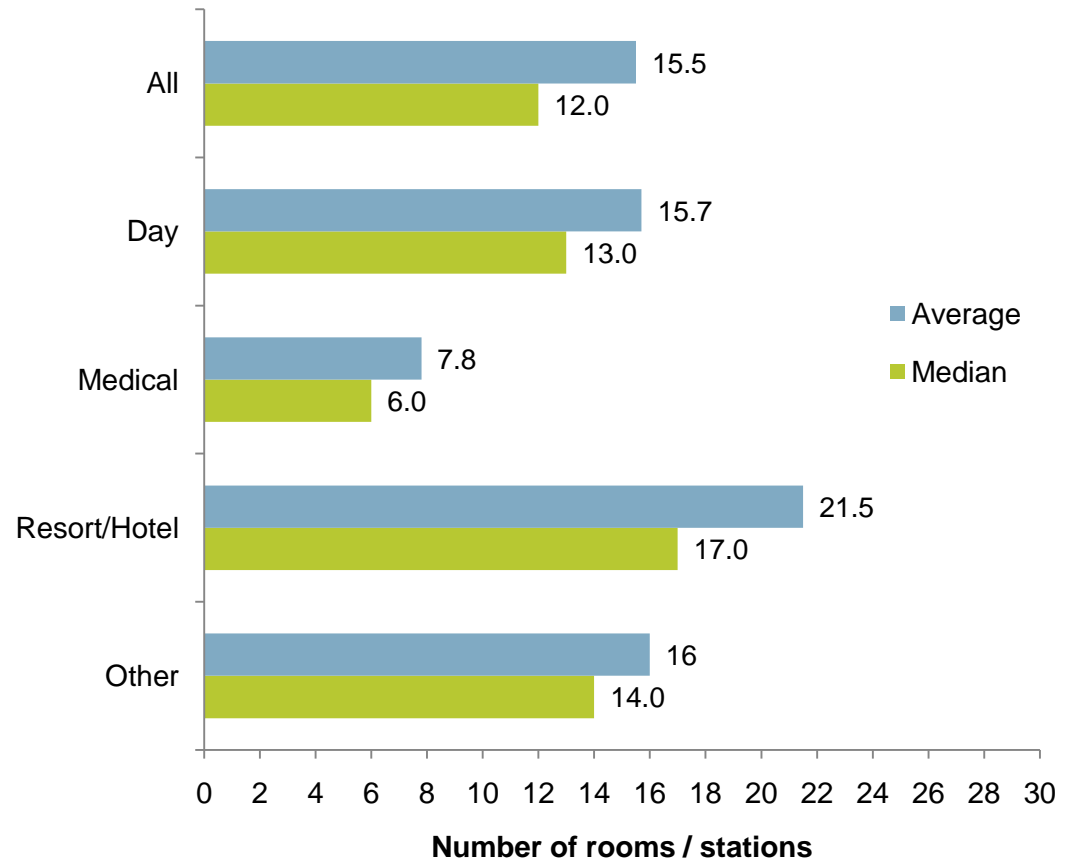
**Across all spas, the average number of spa/salon revenue stations is 15.5, ranging from 7.8 in medical spas to 21.5 in resort/hotel spas. The median number of treatment rooms and salon stations is 12.**

As measured by the median, the typical day spa contains 13 treatment rooms and salon revenue stations.

On the same measure, the typical medical spa contains six spa/salon revenue stations. The greater reliance of day spas on salon services clearly differentiates these two segments of the spa industry.

Reflecting their larger average floorspace, resort/hotel spas typically contain the largest number of spa/salon revenue stations (median of 17).

### Total spa/salon revenue stations: average number





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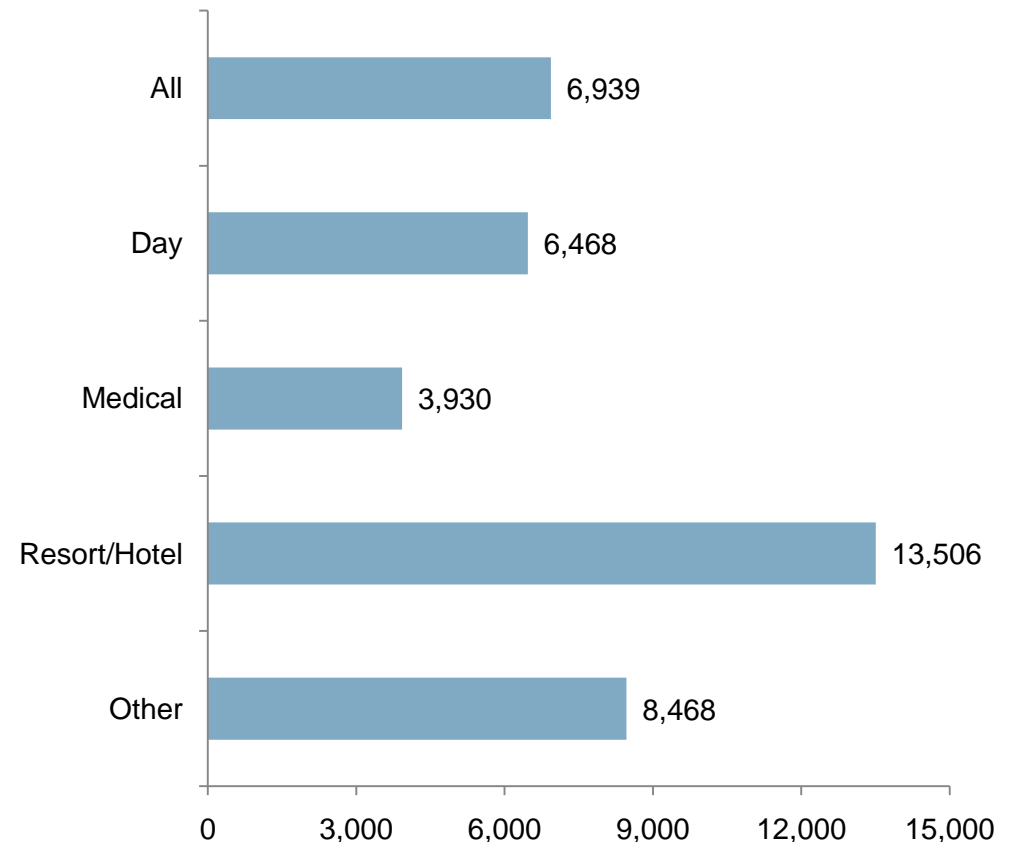
## Section 5: Introduction

**In 2009, spas received an estimated 143 million client visits. This Section describes the services that spas offered to their clients.**

The Section addresses the following topics:

- What are the core types of services offered by spas?
- How does the mix of services vary by type of spa?
- What is the range of services within the core spa service categories?
- What products do spas offer in the retail element of their facilities?

**Average number of spa client visits per spa**







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## Types of services offered

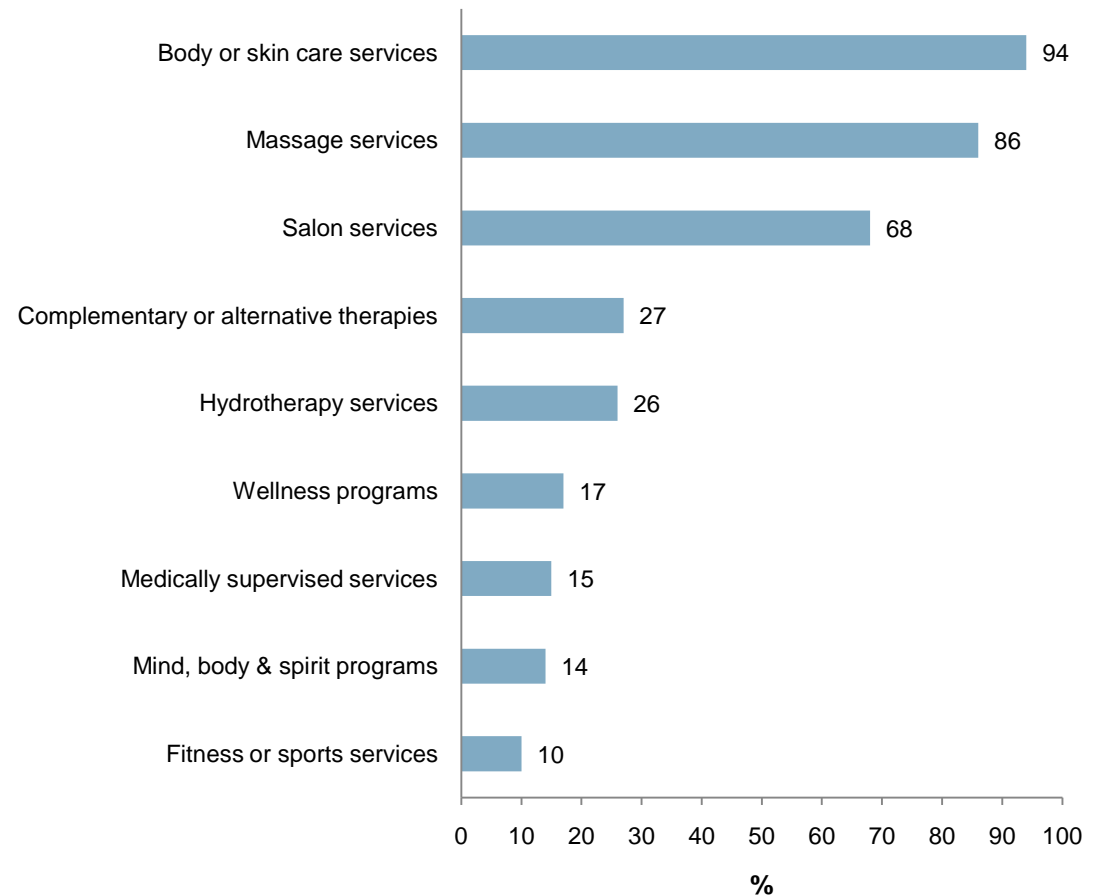
**The main services provided by spas are body or skin care services (94%), massage services (86%) and salon services (68%).**

From the list of services shown in the accompanying chart, the average number of services offered to clients was 3.6. The variations by type of spa are shown in the following slide.

Both day and medical spas offered 3.4 services, on average. The menu of services offered by day spas was very similar to the profile for all spas.

Medical spas are less likely to offer massage services (57%), specializing in medically supervised services (91%) and body or skin care services (88%).

## Types of services offered





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## Product offering: Core spa services

	All	Day	Medical	Resort/Hotel	Other
Massage services	86%	88%	57%	100%	99%
Hydrotherapy	26%	25%	14%	49%	35%
Body or skin care	94%	94%	88%	98%	88%
Salon services	68%	71%	30%	78%	60%
Complementary or alternative therapies	27%	28%	22%	29%	34%
Mind, body & spirit	14%	8%	12%	52%	54%
Wellness programs	17%	14%	21%	23%	51%
Fitness or sports services	10%	4%	5%	54%	55%
Medically supervised services	15%	8%	91%	3%	4%
Average number of services	3.6	3.4	3.4	4.9	4.8



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## Massage treatments offered

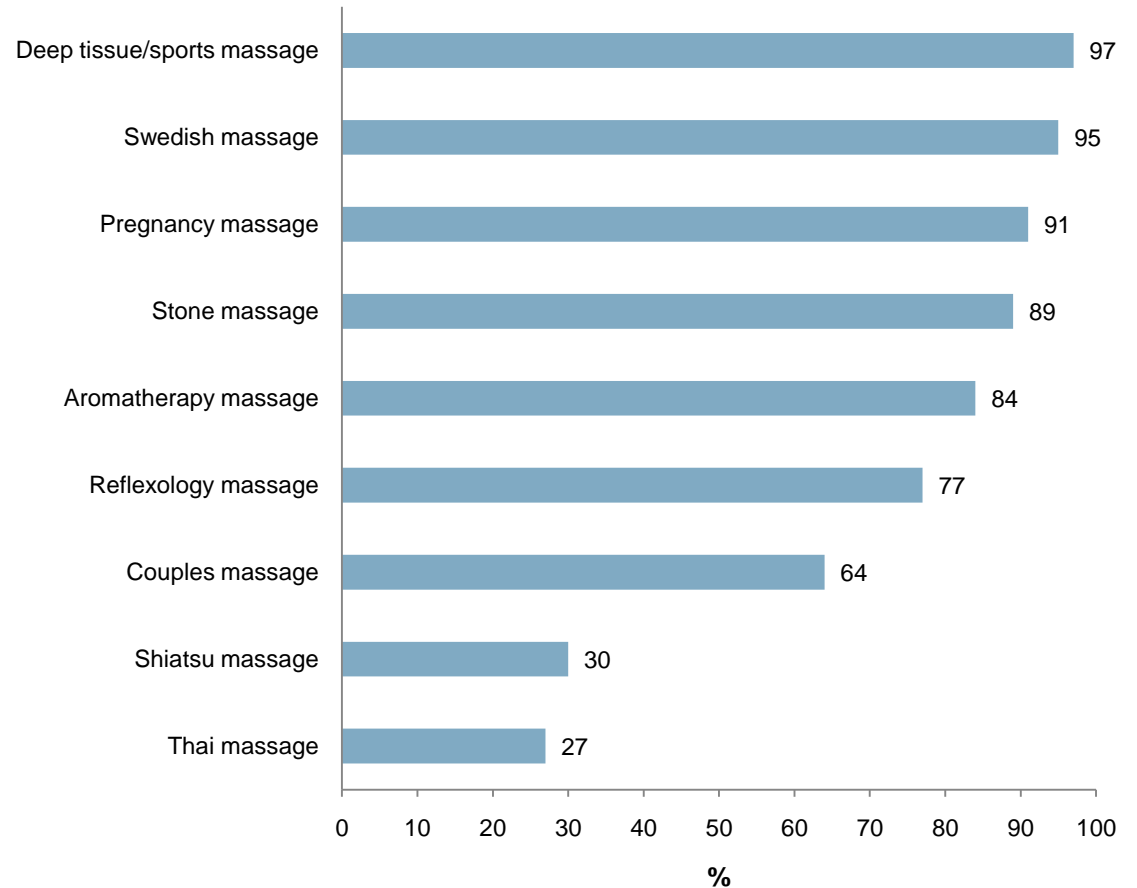
### Spas offer a variety of massage treatments.

Among the 86% of spas that offer massage treatments, the average number of treatments offered is almost 7. There is little variation by type of spa in the number of treatments.

Over nine in 10 spas provide deep tissue (97%), Swedish (95%) and pregnancy (91%) massages.

Stone massages are offered almost as frequently (89%).

### Massage treatments offered



Base: Spas offering massage treatments





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## Treatments offered

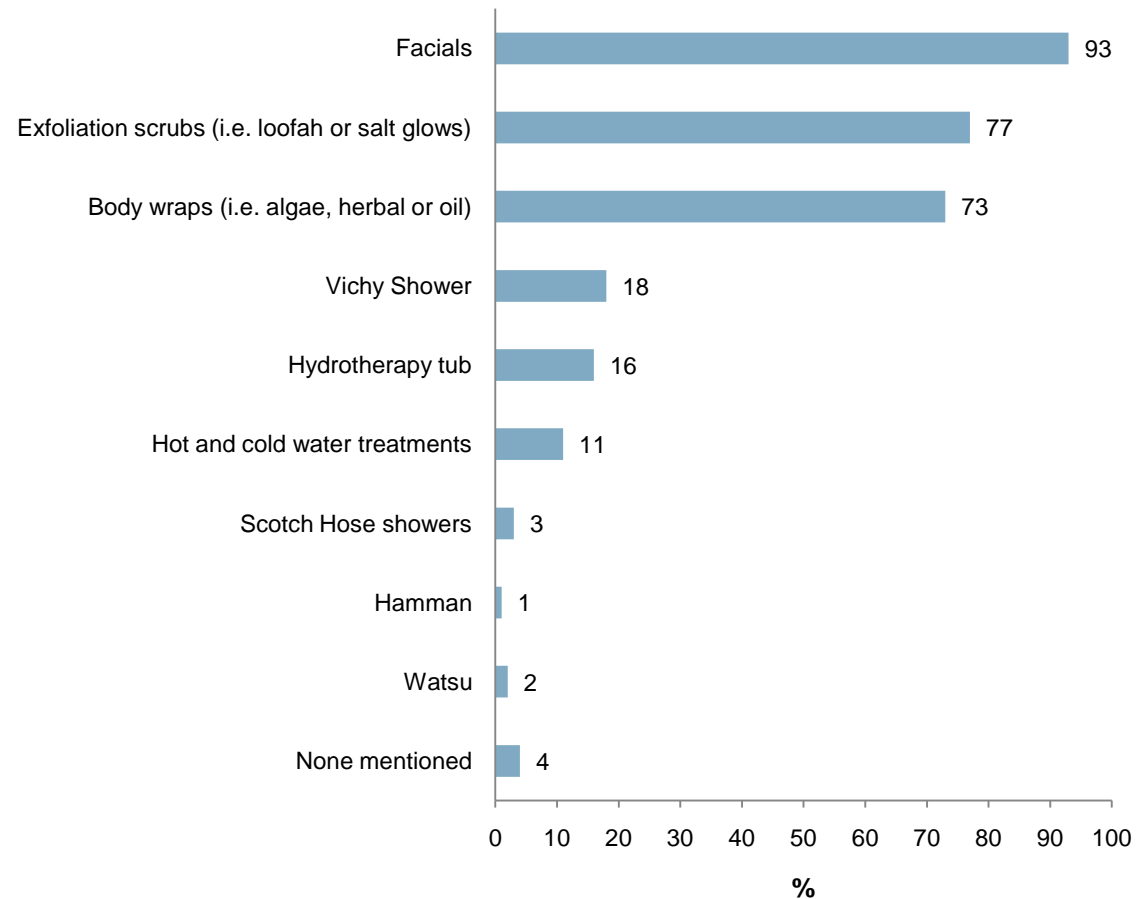
### Facials, scrubs and wraps are the most frequently offered treatments in spas.

On average, spas offer three of the treatments listed in the accompanying chart.

Resort/hotel spas tend to offer the widest range of treatments, four on average. Partly, this reflects a higher incidence of such spas offering scrubs (97%) and wraps (92%), when compared with the average.

Compared to other spas, medical spas are as likely to offer facials (91%) but less likely to provide scrubs (40%) or wraps (33%).

### Treatments offered



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Base: All spas



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## Salon services

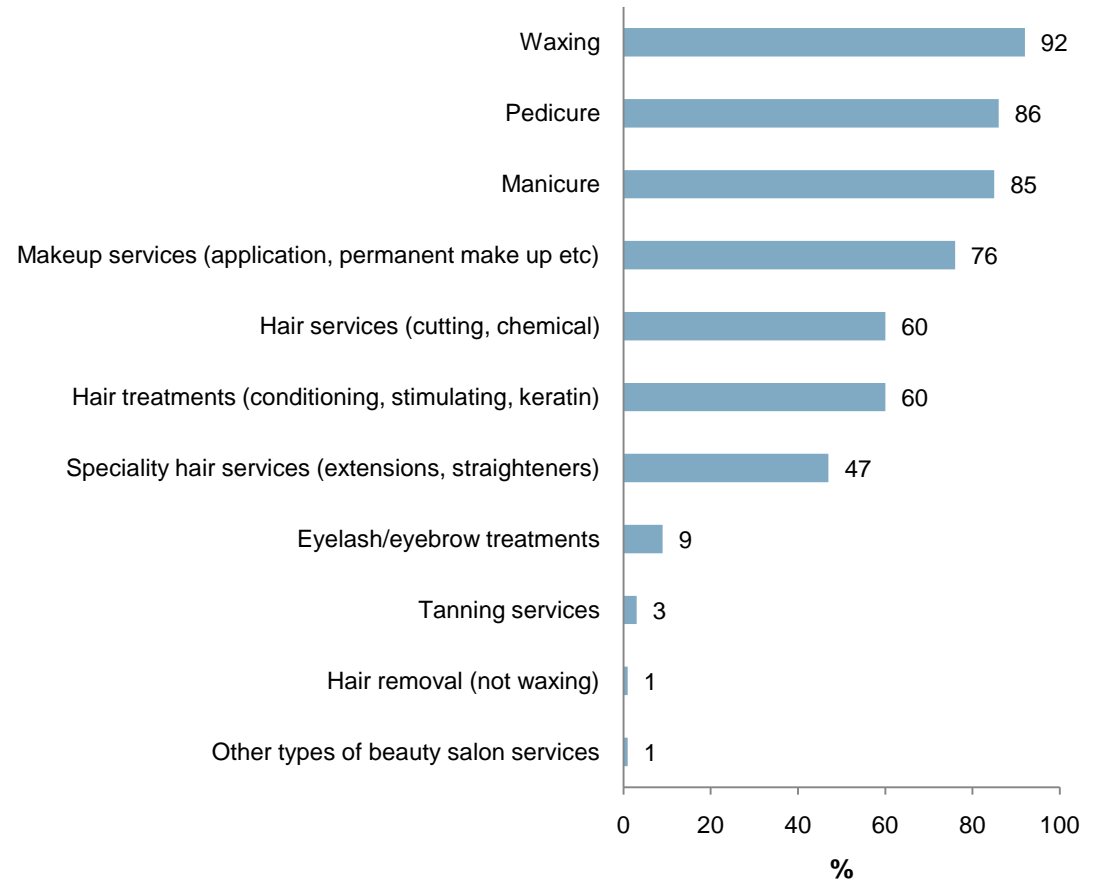
**In the 68% of spas that offer salon services, waxing (92%), manicure (86%) and pedicure (85%) are the most frequently offered.**

On average, spas offering salon services provide five of the items listed in the accompanying chart.

Four in five resort/hotel spas offer salon services. Virtually all of those spas (99%) include manicure and pedicure in their offerings to clients.

Among day spas with salon services (71%), waxing (92%) is the most frequently provided service, followed by manicure and pedicure (85%).

### Salon services



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Base: Spas offering salon services



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## Complementary or alternative treatments

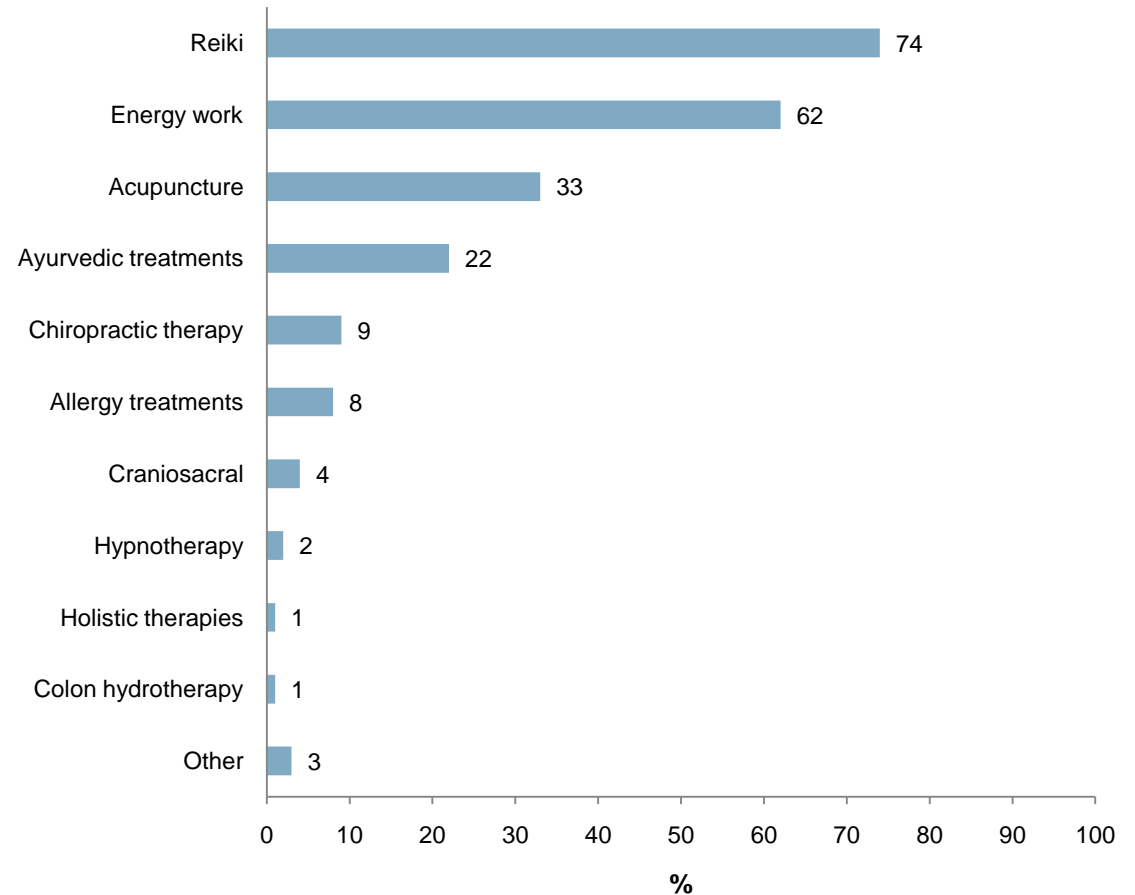
**A little over one in four spas (27%) offer complementary or alternative treatments. Reiki is the most commonly offered treatment (74% of spas offering complementary treatments), followed by energy work (62%).**

The average number of complementary or alternative therapies offered by spas is 2.2. This does not vary by spa type.

While the sample base for this treatment type is small, it is evident that allergy treatments are mainly within the ambit of medical spas.

Base: Spas offering complementary or alternative treatments

## Complementary or alternative treatments





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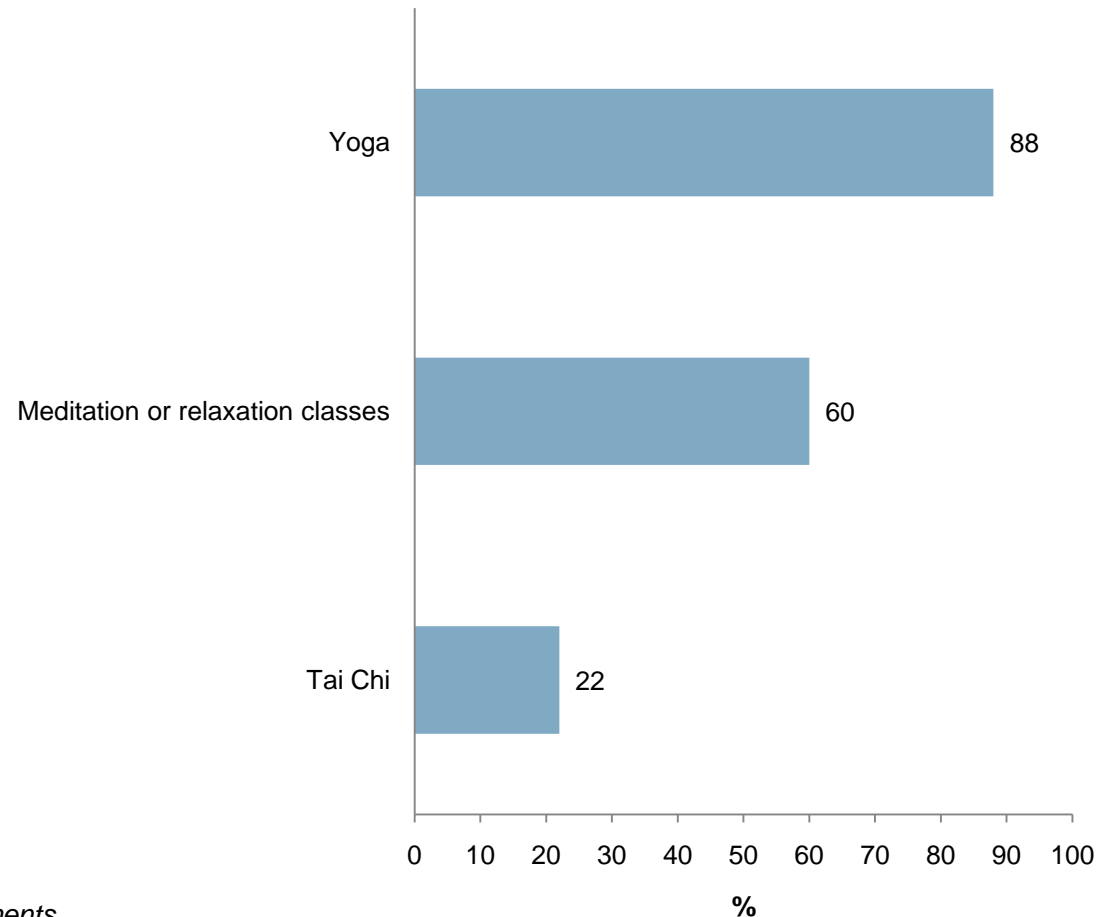
## Mind, body and spirit treatments

**Mind, body and spirit treatments are offered by a relatively small proportion of spas (14%). However, one in two resort/hotel and other spas offer such treatments.**

Yoga is the most frequently offered mind, body and spirit treatment (88%) followed by meditation and relaxation classes (60%).

Typically, spas offer a combination of two of the treatments listed in the accompanying chart.

### Mind, body and spirit treatments



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Base: Spas offering mind, body and spirit treatments



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## Wellness programs and workshops

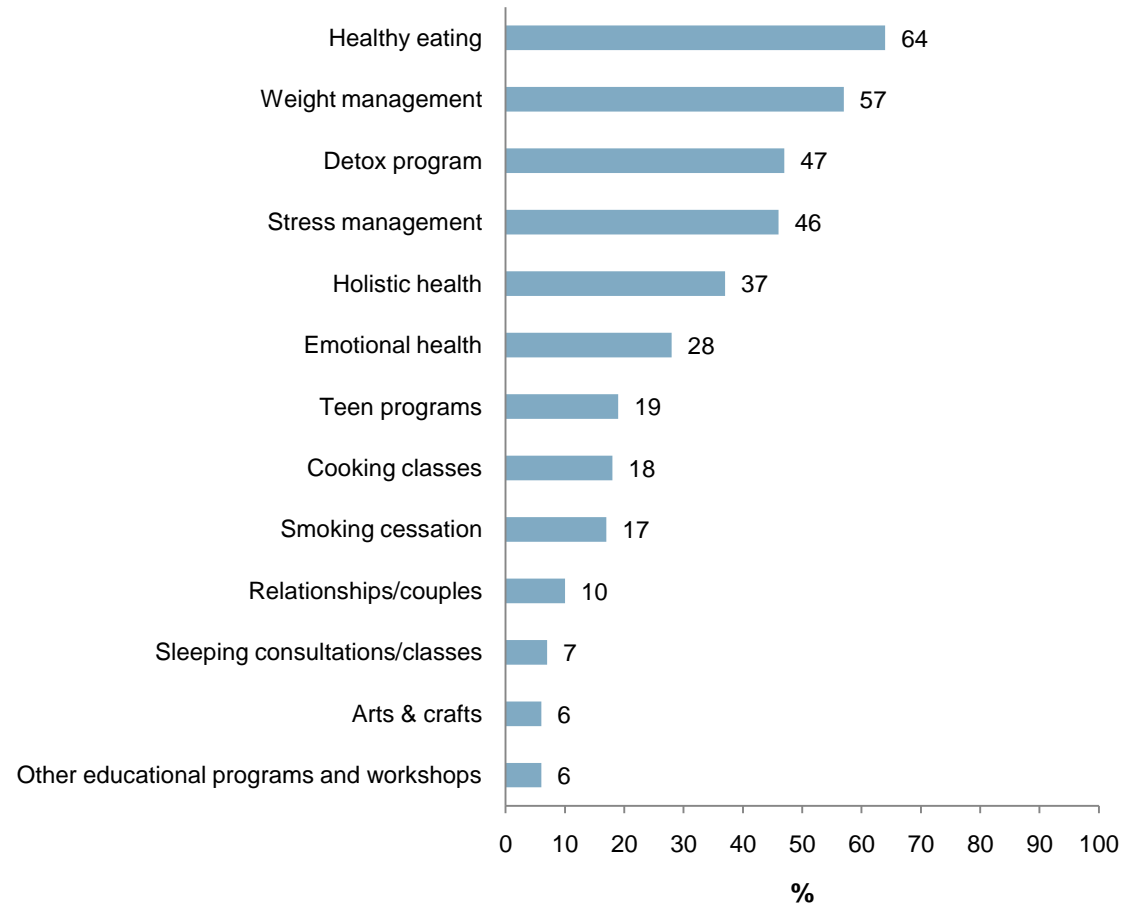
**Wellness programs and workshops are offered by 17% of spas. Among those spas, healthy eating (64%) and weight management (57%) were the most popular offerings.**

From the list shown in the accompanying chart, the average number of wellness programs offered by spas is 3.6, varying little by spa type.

The range of programs offered also does not vary greatly from one type of spa to another.

Base: Spas offering wellness programs

## Wellness programs and workshops







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## Fitness or sports services

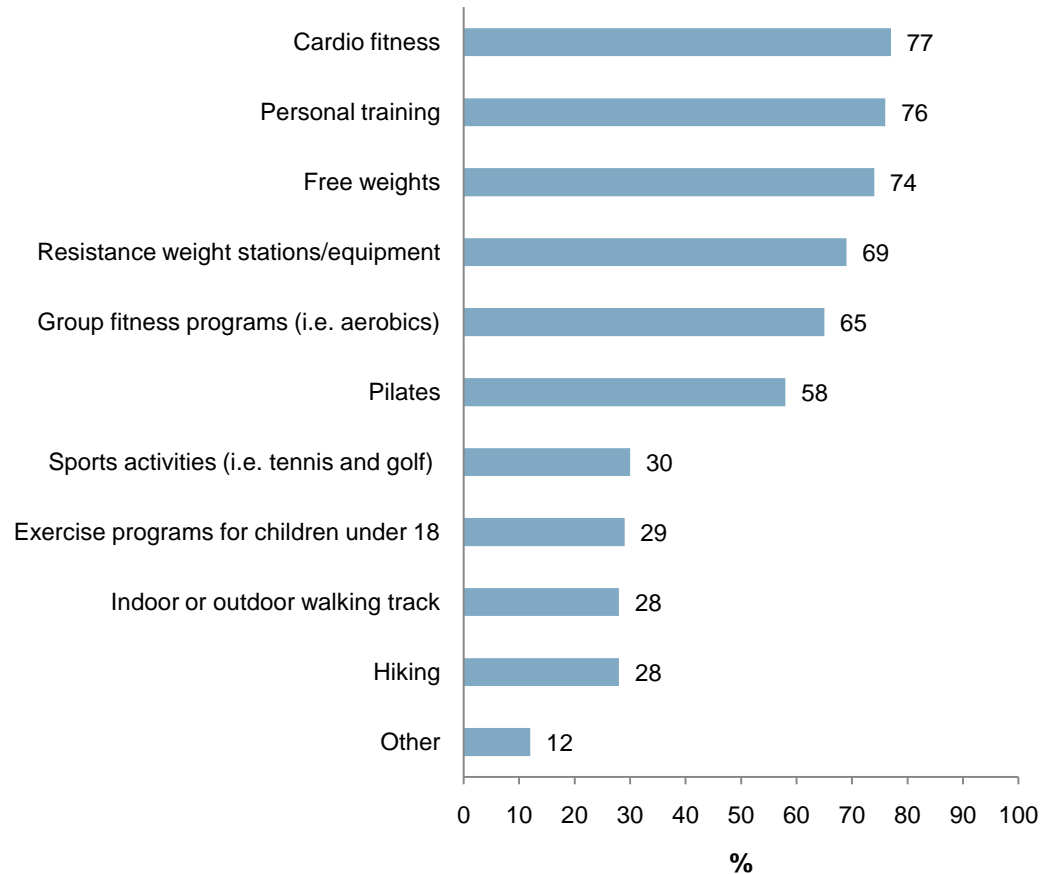
**One in ten spas offer fitness or sports services. Mainly, such services are offered by resort/hotel (54%) and the other spa category (55%), which includes club spas and destination spas.**

Spas offering fitness services tend to provide a range of opportunities.

Reflecting the high proportions of spas offering services ranging from cardio fitness to Pilates, spas offer an average of 5.5 services from the list in the accompanying chart.

Base: Spas offering fitness or sports services

## Fitness or sports services





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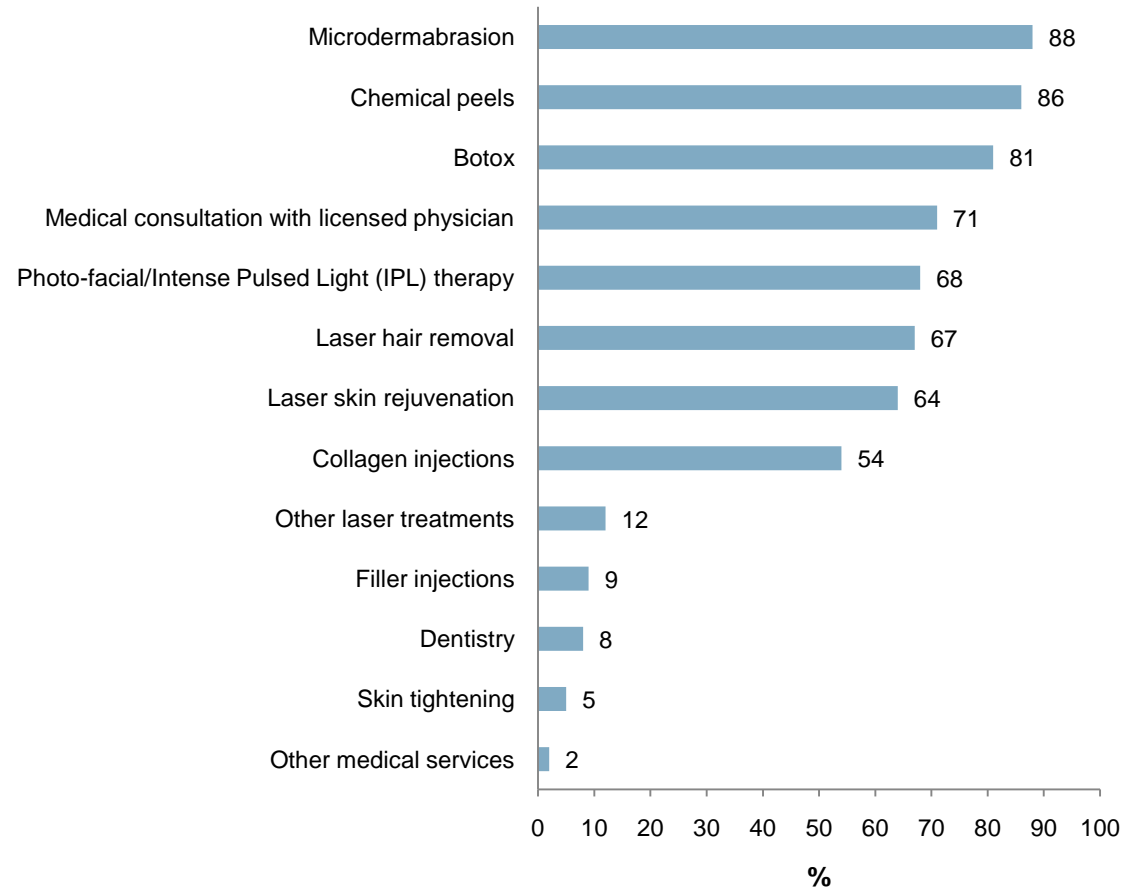
## Medical services

**Medically supervised services are offered by just 15% of all spas. Not unexpectedly, however, such services are heavily concentrated in the medical spa segment, with 91% of spas offering services.**

Microdermabrasion is the most frequently offered medical service (88%), followed closely by chemical peels (86%) and Botox (81%).

The average number of medical services available from spas offering such services is 6.2, rising to 7.2 in medical spas.

### Medical services



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Base: Spas offering medical services



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## Retail: Products

**Almost all spas (94%) contain a retail element within their facility.**

Skin care products are the single most frequently available retail product. Regardless of spa type, over 90% of spas with retail offer such products.

Apart from cosmetics, the availability of other products depends more on the type of spa. Large majorities of resort/hotel spas (72%) and spas in the other spa category (70%) offer apparel products.

Compared to other spa types, relatively few medical spas offer hair care or nail care products.

	All	Day	Medical	Resort/Hotel	Other
Apparel	25%	18%	19%	72%	70%
Skin care products	97%	96%	100%	100%	91%
Hair care products	52%	55%	18%	63%	49%
Cosmetics	64%	62%	69%	67%	67%
Nail care products	57%	58%	24%	82%	69%
Other	44%	45%	26%	55%	48%





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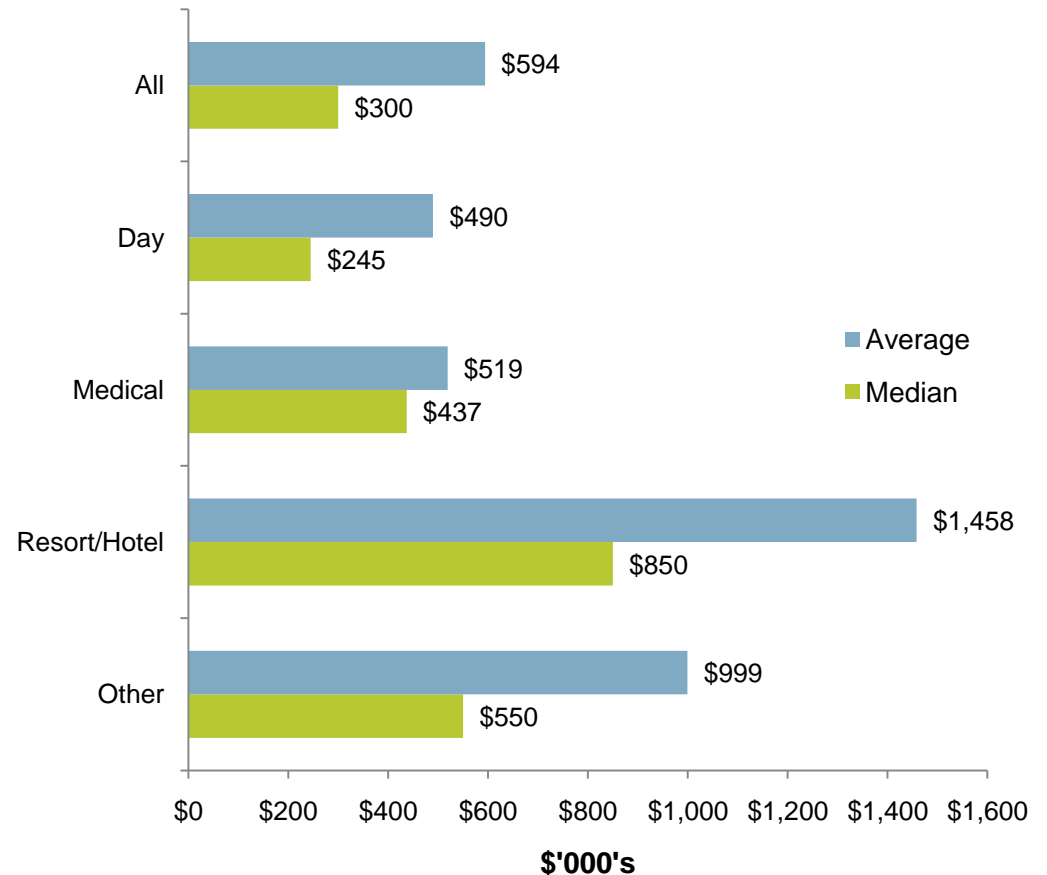
## Section 6: Introduction

**The revenues that spas generate depends on the number of treatments and services provided to clients and the prices that spas receive in return for providing those services.**

This Section considers the revenue side of spa businesses, under the following headings:

- How many treatments and services do spas provide?
- What is the average price that spas obtain for their treatments and services?
- What are the main sources of revenue for spas i.e. the composition of average spa revenues?

### Revenue per establishment





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## Treatments and services provided

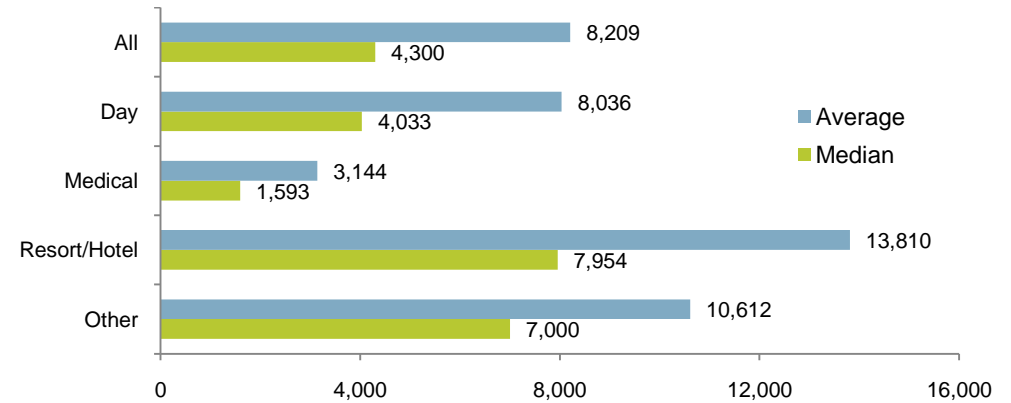
**The main treatment revenue categories in spas comprise massage and bodywork, skin care, hair and nail.**

When asked to say approximately how many treatments and services were provided in those categories in 2009, the average number quoted was 8,209. The median number of spa treatments/services was 4,300.

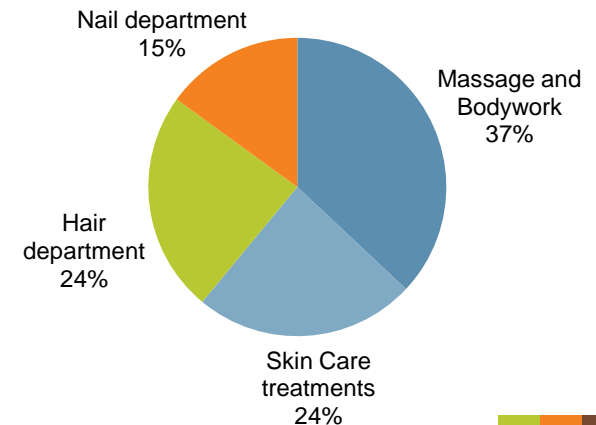
As can be seen, average treatment numbers varied considerably by spa type.

Across the industry as a whole, massage and bodywork treatments accounted for 37% of all spa treatments and services in 2009.

## Number of spa treatments and services provided in 2009



## Treatments and services composition





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## Average prices

### Average prices vary both according to the type of treatment or service and the type of spa.

When asked to say what is the average price per service, the average price quoted across all spas was \$83.

Average prices were highest for body treatments (\$95), followed by facials (\$91) and massage treatments (\$85). The lowest average prices were for hair services (\$67), followed by nail services (\$42).

### Average prices

	All
Per massage	\$85
Per facial	\$91
Per body treatment	\$95
Per hair service	\$67
Per nail service	\$42
Per service	\$83





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## Spa revenue composition

**In combination, the four main spa treatment and service categories (massage and bodywork, skin care, hair and nail) account for 78% of total spa revenue.**

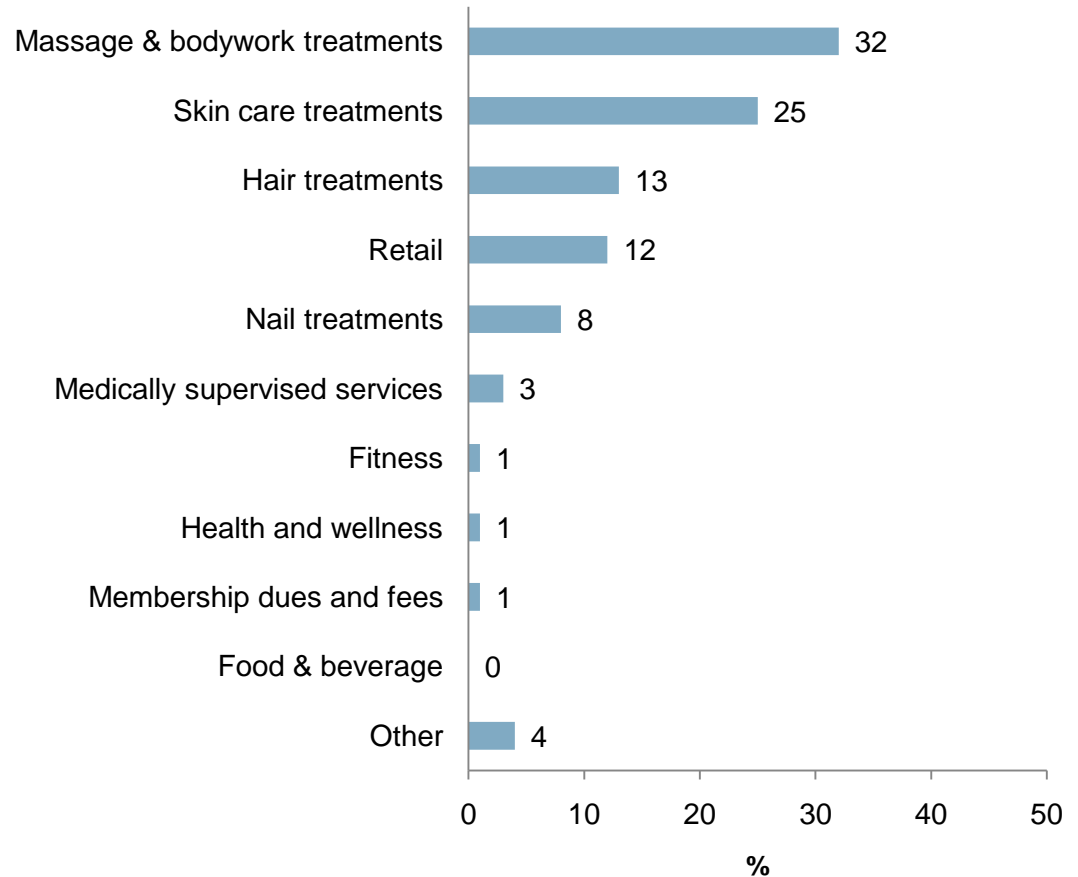
On average, massage and bodywork treatments comprise a little under one-third (32%) of total spa revenue. A quarter comes from skin care treatments.

The variations in spa revenue composition by type of spa are shown in the slide following.

There are two main contrasts to note. First, resort/hotel spas obtain the bulk of their revenue (59%) from massage and bodywork treatment.

Second, medical spas rely on medically supervised services for over one-third of their revenues. Massage and bodywork contributes 12%.

## Spa revenue composition







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## Spa revenue composition

### Composition of revenue (average % of total)

	All	Day	Medical	Resort/Hotel	Other
Massage & bodywork treatments	32%	31%	12%	59%	45%
Skin care treatments	25%	27%	28%	15%	15%
Hair treatments	13%	15%	4%	3%	4%
Nail treatments	8%	9%	3%	9%	7%
Fitness	1%	0%	0%	2%	6%
Food & beverage	0%	0%	0%	0%	1%
Health and wellness	1%	1%	2%	0%	2%
Medically supervised services	3%	0%	34%	0%	0%
Membership dues and fees	1%	1%	1%	2%	7%
Retail	12%	12%	13%	8%	9%
Other	4%	4%	3%	2%	3%
Total	100%	100%	100%	100%	100%



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## Spa revenue composition

**Combining the revenue proportions reported by spas with the total value of revenues generated in 2009 provides an indication of the current size of the market for the various treatments and services offered by spas.**

With a 32% revenue share, the total value of massage and bodywork treatments is estimated at \$3.9 billion, followed by skin care treatments at \$3.1 billion. The combined revenue from hair and nail treatments is \$2.6 billion.

Also shown in the accompanying table are average revenue values per spa establishment by source. It should, however, be borne in mind that not all spas offer each type of service. Some services, notably medically supervised services, are primarily offered by a specific type of spa.

## Revenues per source

	Total in millions	Average per spa in thousands
Massage & bodywork treatments	\$3,921	\$190
Skin care treatments	\$3,118	\$151
Hair treatments	\$1,562	\$76
Nail treatments	\$990	\$48
Fitness	\$77	\$4
Food & beverage	\$27	\$1
Health and wellness	\$149	\$7
Medically supervised services	\$377	\$18
Membership dues and fees	\$161	\$8
Retail	\$1,436	\$70
Other	\$457	\$22
All sources	\$12,276	\$594





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## Composition of retail revenue

**Retail accounts for 12% of total spa revenues, ranging from 8% for resort/hotel spas to 13% for medical spas.**

The sale of skin care products accounts for the majority (56%) of retail spending by spa visitors. The proportion does, however, vary by spa type, from 44% in the other spa grouping to 81% for medical spas.

Hair care products account for a further fifth (19%) of retail revenue. As a source of revenue, hair care products are most prominent in the day spa sector (24% of retail revenues).

## Composition of retail revenue

	All	Day	Medical	Resort/Hotel	Other
Apparel	4%	2%	2%	14%	27%
Skin care products	56%	53%	81%	58%	44%
Hair care products	19%	24%	2%	6%	6%
Cosmetics	7%	7%	9%	6%	6%
Nail care products	4%	4%	2%	5%	4%
Other	9%	9%	5%	11%	14%
All	100%	100%	100%	100%	100%
Average dollar value of retail purchases per guest					
Average	\$43	\$39	\$89	\$39	n.a.
Median	\$30	\$26	\$80	\$28	n.a.

Base: spas with a retail element (94% of all spas)



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## Section 7: Introduction

**People are central to the spa industry. The spa experience is strongly people-oriented, meeting a diverse range of clients' needs, both lifestyle and health and well-being.**

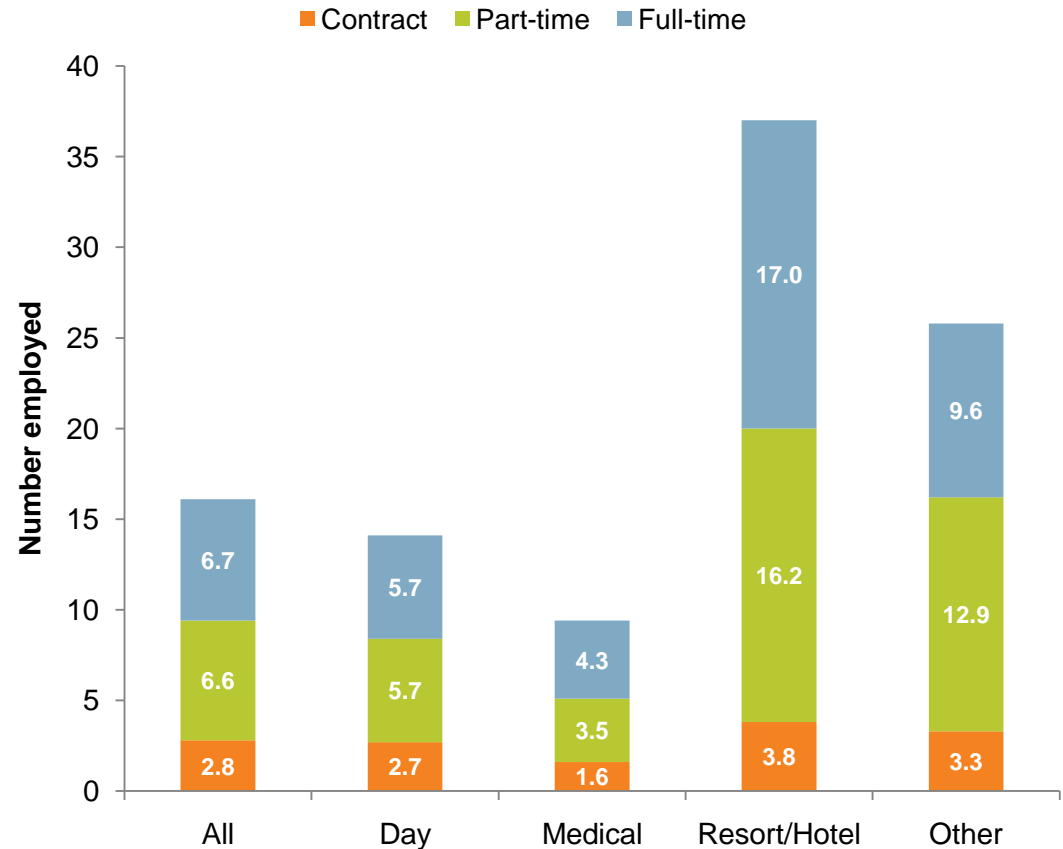
Ensuring a positive spa experience depends on having staff with the requisite skills and experience. The industry is also a significant employer, with over 330,000 people working in spas in spring 2010.

Within that context, this Section focuses on the people at the center of the spa industry, under the following headings:

- Employment
- Clients

*Note: Additional material relating to the impact of the recession on employment can be found in Section 2 (Pages 20-21, 32). See also page 19 for information on how spas have sought to attract new clients during the recession.*

### Average employment per spa





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## Payroll share of revenues

**Reflecting the nature of the treatments and services provided, the spa industry is highly labor intensive. This is most directly seen in the payroll share of revenues, averaging 47% according to the businesses surveyed for this study.**

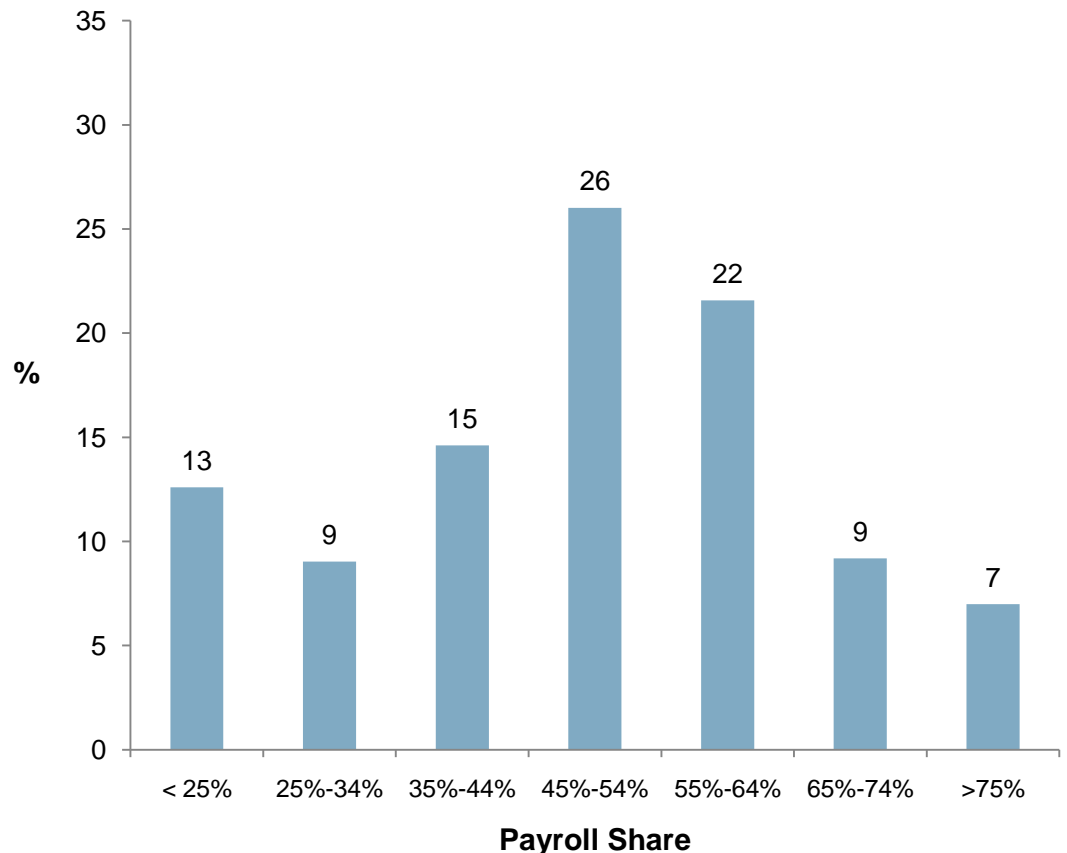
When set against the estimated \$12.3 billion of revenue generated by the spa industry in 2009, the payroll share of revenues translates into \$5.76 billion in wages and salaries paid to persons employed in the industry.

The size of the spa payroll is an important economic impact of the spa industry, helping to sustain the local communities in which staff live and work.



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## Payroll\* share of revenues



\*Includes payroll taxes and benefits





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## Benefits provided to employees

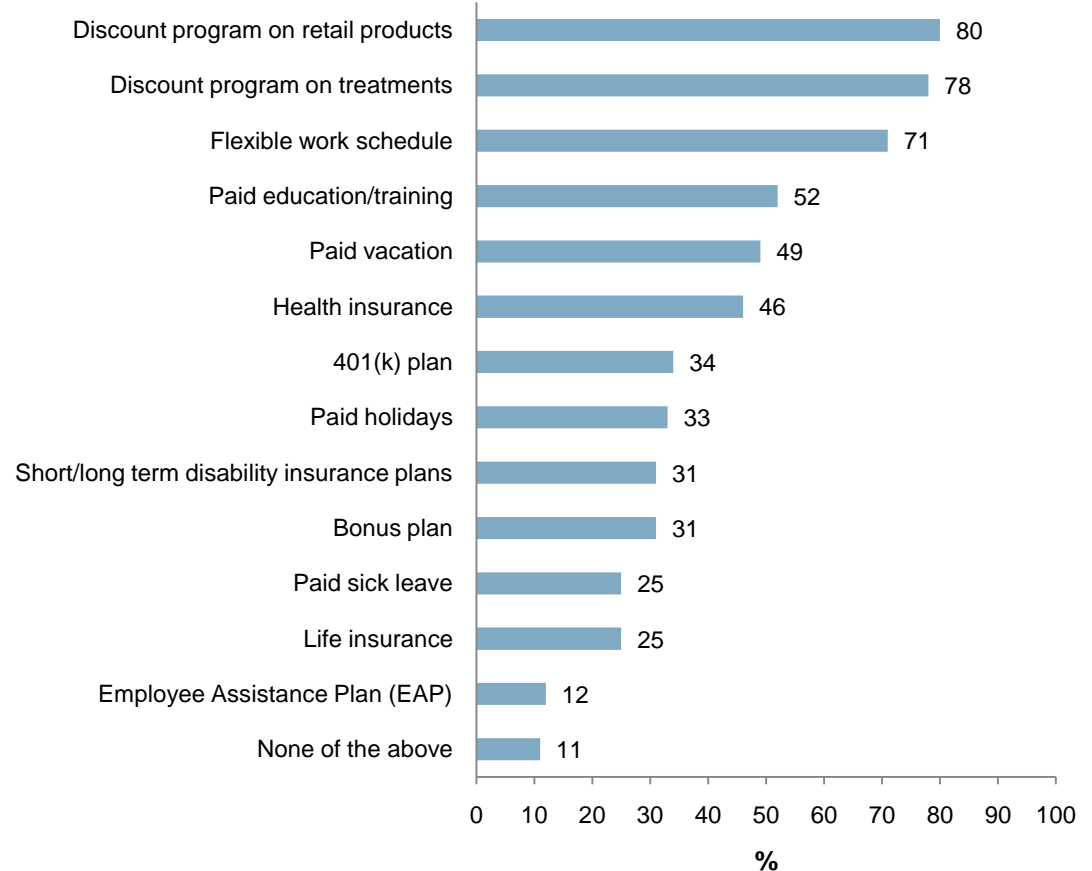
**Notwithstanding the pressures arising from the experience of the recession, as outlined in Section 2, 89% of spas provide a range of benefits to their employees.**

The most frequently cited benefits provided to staff, by a majority of spas, comprised discount programs and flexible work schedules.

However, a minority of spas said they provided benefits such as health insurance (46%), a 401(k) plan (34%), paid vacation (49%) or disability insurance (31%).

The resort/hotel and other spa sectors were exceptions, with a majority of such spas providing the health insurance and other benefits listed above. These same sectors also provide the widest range of benefits; on average, nine of the 13 listed benefits compared to an average of six among day spas.

## Benefits provided to employees





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## Human resource challenges experienced within the past twelve months

**When asked to identify the main human resource challenges faced in the last 12 months, the most commonly cited issues were a shortage of qualified candidates applying for open positions (39%) and low staff morale (35%).**

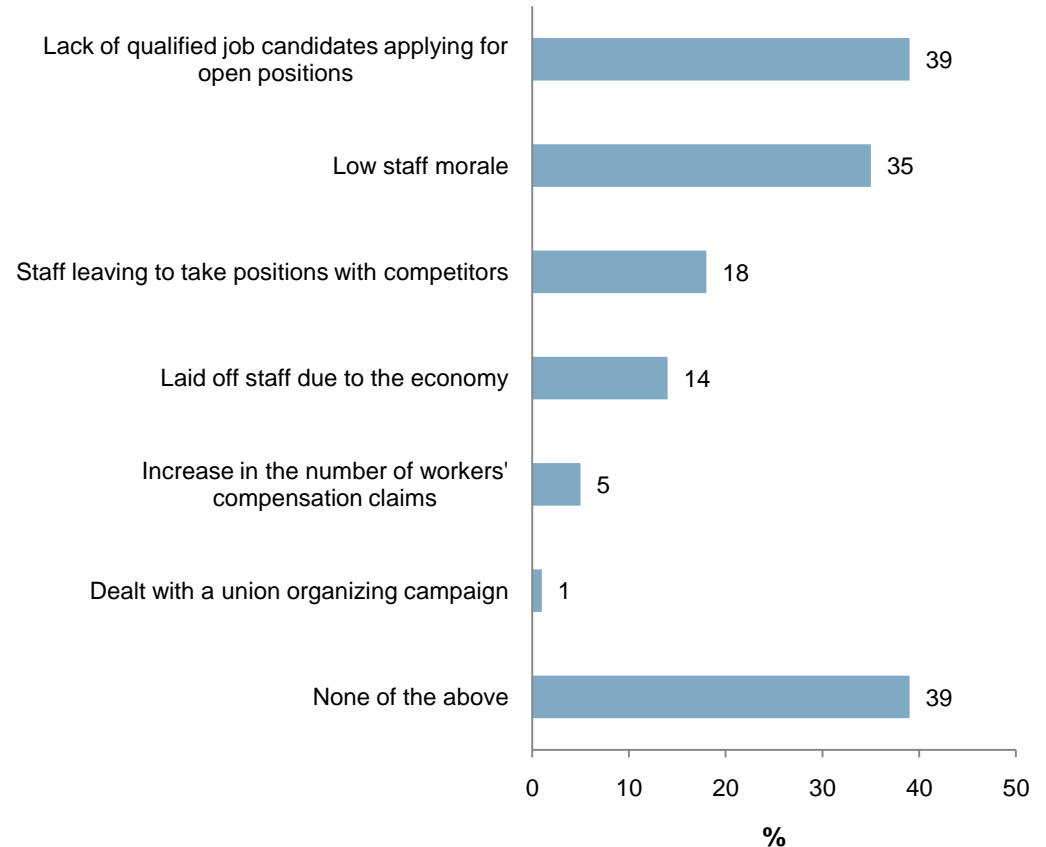
Lack of qualified candidates applying for positions can reflect a number of factors, such as a shortage of skills and experience among potential recruits.

Whatever the reason, this is likely to remain a challenge for the industry going forward.

Low staff morale was most likely to be cited by businesses in the resort/hotel sector (54%). As discussed in Section 2, this was also the sector that experienced a higher incidence of employment reduction and other measures during the recession.

With fewer than half (45%) reporting one or more challenges, medical spas were the least likely to report human resource issues in the last 12 months.

## Human resource challenges experienced within the past twelve months







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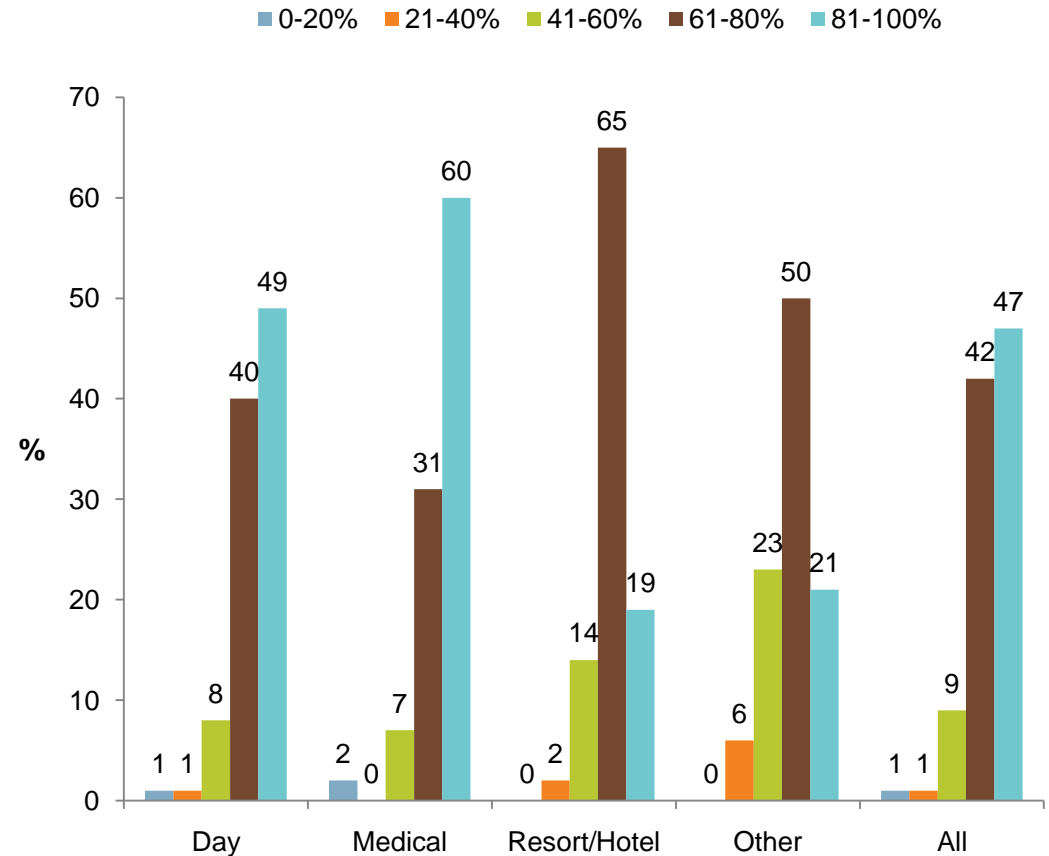
## Clients: The male-female split

**The spa industry has traditionally served a predominantly female clientele. This remained the case in 2009, with an 80:20 split between female and male spa clients.**

The female share of spa clients varies to a degree between different types of spa establishment, being highest in the medical (83%) and day (80%) sectors and lower in the resort/hotel (72%) and Other (69%) categories.

The latter spa types, recalled from Section 6, are most likely to offer fitness or sports services in addition to spa treatments and services.

### Female share of spa clients





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## Expanding the client base and promoting diversity

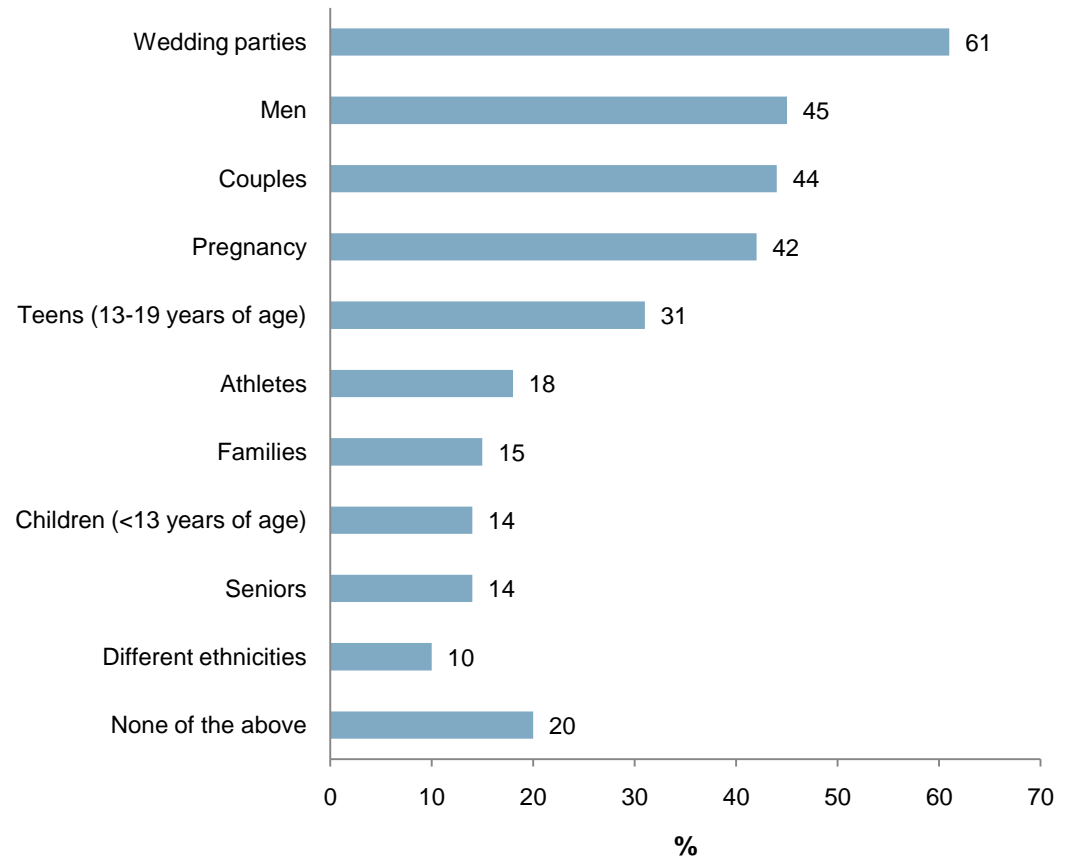
**Spas are actively seeking to widen and diversify their client base. 80% of spas have introduced special packages targeted at discrete client groups.**

Packages aimed at wedding parties are the most frequently applied across the majority of spas (61%), ranging from 46% of spas in the other category to 76% of resort/hotel spas.

Efforts to diversify the client base are also apparent. For example, 45% of spas are targeting a package at attracting more men, especially spas in the other category (59%).

Notwithstanding the demographic trends, there is less of a focus on seniors (14% of spas).

### Special packages





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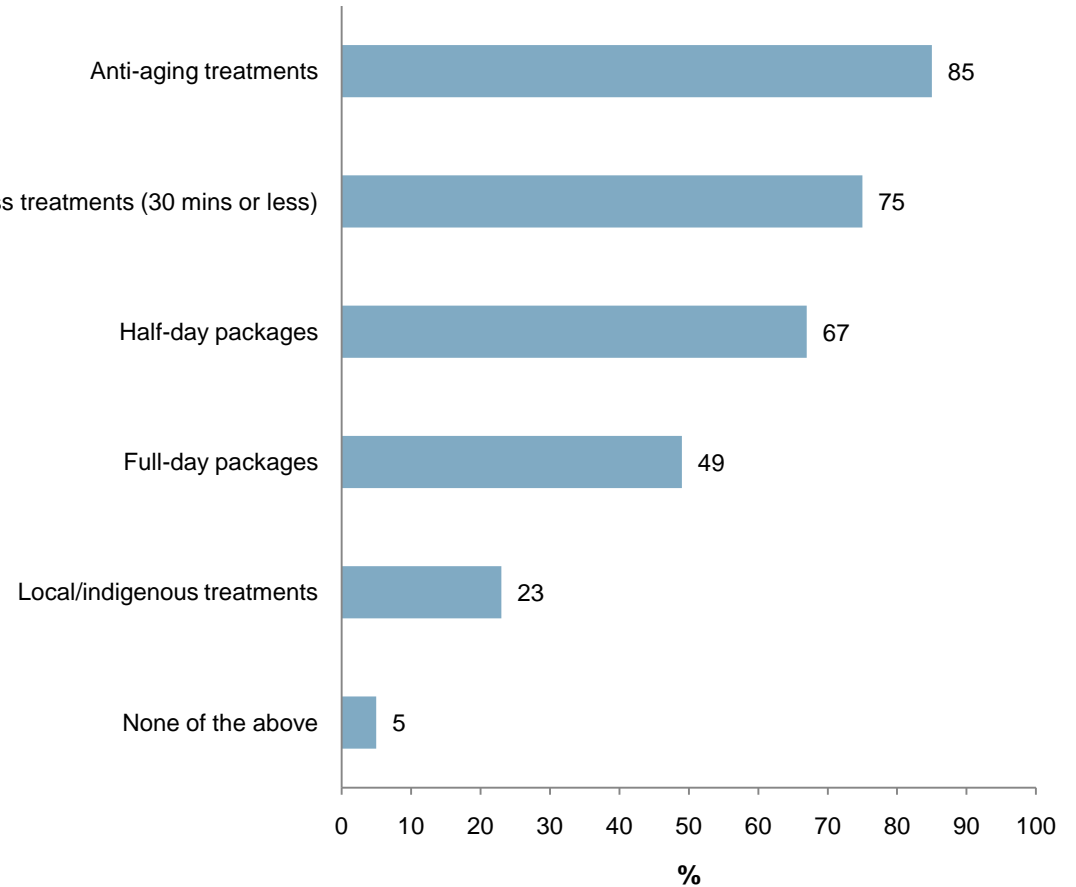
## Enhancing the spa menu

**One of the ways in which spas have managed the effects of the recession has been to re-engineer the menu. Almost all spas (95%) have taken one or more steps in that direction.**

A majority of spas (75%) have introduced shorter express treatments (30 minutes or less), offering a less expensive option that also allows clients with a busy schedule to enjoy the spa experience.

Offering more flexibility to clients is also evident from the extent to which spas offer half-day (67%) and full-day (49%) packages.

### Additional spa menu items





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## Section 8: Introduction

This Section describes the approach to the 2010 U.S. Spa Industry Study, under the following headings:

- Overview on the methodology;
- The questionnaire;
- Survey outcomes; *and*
- Comparability over time.





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## Survey methodology

A large scale quantitative survey of spa establishments was undertaken to collect the information required to estimate the key statistics for the ISPA 2010 U.S. Spa Industry Study. Following a pilot exercise to assist in finalizing the questionnaire design, the full survey was launched in April 2010 and completed in June 2010.

The survey questionnaire was divided into two main parts. The first part asked respondents to provide details for each of the 'Big 5' key statistics. The second part sought information on operating characteristics of spas, such as spa facilities, products and services and treatments. Spas were also asked about employment, the recession and the recovery.

Contact details for spas invited to participate in the survey were obtained from the ISPA's database of spa locations, containing information on over 13,400 qualified spas. The ISPA database also provided the main data source for estimating the number of spa locations by type and region. The ISPA database is estimated to represent 65% of the industry.



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## The questionnaire

The questionnaire for the 2010 U.S. Spa Industry Study was developed through a structured approach to best meet the research objectives. The key stages in the process were as follows:

- In consultation with ISPA, preparation of a draft questionnaire, taking as its starting point the questionnaire used in the last full industry study (2007);
- Refinement of the questionnaire through expert review and in-house testing of the structure and routing; *and*
- Prior to roll-out of the survey, the questionnaire was piloted. Minor revisions were made following the pilot feedback.

The final version of the questionnaire comprised two main parts. The first part focused on collecting the information necessary to estimate the key statistics per spa establishment, i.e. revenues, visits, indoor floorspace and employment.

The second part of the questionnaire asked respondents to provide information on the operational aspects of their spa establishment, under the following headings:

- Spa revenue composition;
- Product offering: Core spa services;
- Treatment rooms/spa services facility composition;
- Employment, the recession and recovery; *and*
- Diversity, sustainability and loyalty.



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## Survey outcomes

The survey was launched on a bespoke Internet registration site in April 2010. The survey ran until mid-June 2010.

The number of survey returns providing information on one or more of the key statistics was 1,018, of which 945 provided a response via the Internet. The remaining 73 responses were obtained from a top-up telephone survey conducted in June 2010.

Some respondents provided composite returns covering a number of spa locations. Including the composite returns, information regarding one or more of the key statistics was obtained in respect of 1,095 establishments. The distribution by spa type is shown in the accompanying table. Not all respondents provided information in respect to each of the key statistics. The base numbers for each key statistic are listed in the accompanying table.

## Key Statistics: Survey responses

One+ Key Statistics	Businesses No.	Establishments No.	%
Day	610	686	62.6%
Resort/Hotel	243	243	22.2%
Medical	110	111	10.1%
Club	36	36	3.3%
Others (1)	19	19	1.7%
<b>All</b>	<b>1,018</b>	<b>1,095</b>	<b>100.0%</b>
Of which:			
Revenue	872	941	85.9%
Visits	902	977	89.2%
Size	910	987	90.1%
Employment	947	1024	93.5%

(1) Mineral springs & Destination spas



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## Survey outcomes

The number of responses to the full survey questionnaire (the 'Big 5' key statistics plus the topics outlined previously) was 732. A degree of item non-response meant that not all full survey questions had a sample base of 732.

The distribution of full survey responses by spa type was similar to the profile for those providing one or more of the key statistics (see table in previous slide, page 96). That is, when compared to their share of all spa establishments, resort/hotel spas were over-represented in the sample while day spas were under-represented. The findings reported in this study have therefore been weighted to reflect the distribution of establishments by type of spa.

As the information for this study was collected from a sample of spas, the findings will inevitably be subject to margins of error. For proportions based on all respondents, the indicative margins of error at the 95% confidence level are  $\pm 3.9\%$ .

The margins of error are wider for sub-samples. Thus, for proportions based on all day spas, the margins of error are  $\pm 4.7\%$ . For proportions relating to resorts/hotels, the indicative margins of error are  $\pm 7.2\%$ .





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## Comparability over time

In 2005, ISPA undertook a census of the North American spa industry to formally qualify and classify spas. Through this process, ISPA developed specific product/service based criteria for qualifying and classifying spas. The spa type definitions are listed in page 7 of this report.

In order to develop revised estimates of the trend in the number and distribution of spas, data from previous studies were adjusted to be consistent with the revised definitions. Further detail on the re-estimation procedures can be found in the ISPA 2007 Spa Industry Study.

In particular, 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. Using data on the allocation of space and revenue from previous studies, these components were removed and the averages recalculated for comparability purposes.

The methodological changes were made to reflect the changing industry. As a result of the methodological changes, a greater emphasis was placed on narrowing the statistics to those activities that relate only to the spa.

While the estimates for studies undertaken prior to 2006 were adjusted to facilitate comparability and identification of industry trends, the pre-2005 estimates shown in pages 13-17 should nonetheless be treated with a degree of caution.





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