



INTERNATIONAL SPA ASSOCIATION®

ISPA 2011 U.S. SPA INDUSTRY STUDY





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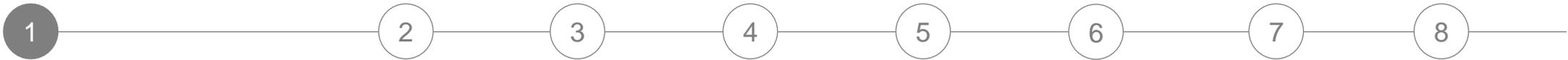
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Introduction

This report presents the findings from the 2011 U.S. Spa Industry Study. The study was commissioned by the International SPA Association (ISPA).

Established in 1991, 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, ISPA commissioned the first U.S. study in 2000. The inaugural study was subsequently updated in 2002, 2004, 2006, 2007 and, most recently, 2010. A shorter tracking study was commissioned in 2003, 2005, 2008 and 2009.

As documented in the 2010 report, the spa industry felt the full impact of the 2008-2009 recession, the U.S. economy's longest and deepest since the 1930s. In 2009, for the first time since ISPA started conducting industry research, the spa industry suffered reversals across all the major indicators, with falling revenues and visits accompanied by declines in the number of spa locations and staffing levels.

This report focuses on the state of the industry in 2010, a period when the U.S. economy was recovering from the 2008-09 recession. Within that context, this industry study aims: to measure the extent to which the spa industry has proceeded along the road to recovery, as indicated by the change in revenues, spa visits, locations, floorspace and staffing levels; to assess the key factors driving recovery; and, to identify the challenges facing the industry in the recovery phase and beyond.



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Research Objectives

The research objectives of the 2011 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 owned by and located within a resort or hotel.

Throughout the report data is analyzed 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. All references to the 2010 Industry Study refer to the ISPA 2010 U.S. Spa Industry Study.



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Structure of report

The remainder of the report is structured as follows:

Section 2 Industry Size and the Road to Recovery: This Section provides an industry level overview and commences with the Industry Study 2011 findings for the 'Big 5' statistics. It then examines key factors shaping the road to recovery, including the pick-up in demand, prices, profitability and promoting the spa experience. 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, 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 he or she 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 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 and, the composition of average spa revenues by type of treatment and service.

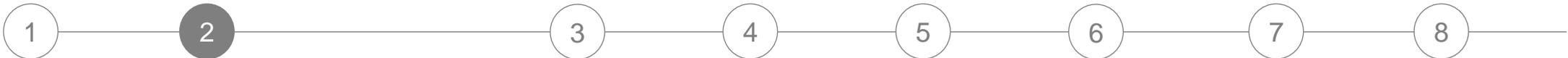
Section 7 People: This Section focuses on the people at the center of the spa industry, i.e. those employed in spa businesses and their clients.

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

Note: All percentage calculations are based on un-rounded figures, therefore totals or sub-totals may differ due to rounding.



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Introduction

This Section presents the survey findings for the size of the U.S. spa industry. It also assesses the progress made by the spa industry on the road to recovery.

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?
- To what extent has the spa industry participated in the recovery from recession?
- What are the key factors shaping the road to recovery?
- What are the key challenges that lie ahead for the industry?

The Section commences with an overview on the national economic context, especially the pace at which the U.S. economy was recovering from the recession in 2010 and into 2011. The extent to which the spa industry has participated in the recovery from the recession is assessed by examining trends in the 'Big 5' statistics for the size of the spa industry. The factors shaping the road to recovery are assessed, including: pick-up in demand; promoting and marketing to increase revenues; prices; and profitability. The Section concludes with a look ahead and key points summary.



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The Economic Context

After a deep and prolonged recession, the U.S. economy entered the recovery phase in mid-2009.

The recovery has; however, proceeded at a moderate pace and the economy has been growing more slowly than expected.

Gross Domestic Product (GDP), measuring the value of economic activity nationwide, expanded by 3% in 2010. The pace of growth dipped to an annual rate of just 1.3% in the second quarter of 2011.

Reflecting the modest pace of growth, the labor market has lagged in the recovery phase. Job growth has been muted and unemployment remains above 9%.

Income and expenditure have risen, but at very modest rates after adjusting for inflation.

The U.S. in the recovery phase:

Selected economic indicators, annual percent change

	2009	2010	2011(Q2)
GDP (Constant 2005 \$)			
GDP (Constant 2005 \$)	-3.5%	3.0%	1.3%
Employment			
Employment	-3.9%	-0.7%	0.2%
Unemployment			
Unemployment	9.3%	9.6%	9.1%
Personal Disposable Income			
Current \$			
Current \$	-2.1%	3.6%	3.9%
Constant (2005) \$			
Constant (2005) \$	-2.3%	1.8%	0.7%
Personal Consumption Expenditure *			
All services			
Current \$			
Current \$	0.2%	2.8%	3.0%
Constant (2005) \$			
Constant (2005) \$	-1.4%	0.9%	0.8%

Sources: Bureau of Economic Analysis (BEA); Bureau of Labor Statistics.

*Personal consumption expenditure is a measure of how much consumers spend on durable goods, consumer products, and services. The figures shown above relate to spending on services.

GDP, income and expenditure data extracted from revised estimates published by BEA in July 2011. Rates shown in constant (2005) \$ are adjusted for inflation.



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The Big Five Statistics: 2010 out-turn and percent change in 2010

The moderate pace of national economic growth in the recovery phase is reflected in the 2010 out-turn for the spa industry, which presents a somewhat mixed picture. The pick-up in demand led to an increase in spa visits (+5%), underpinning a 4% uptick in revenues. This was not sufficient to prevent a further drop in the number of spa locations (-3%). Total square footage remained unchanged. The March 2011 out-turn for employment was positive, registering a 2% increase.

	2009 (Year End)	2010 (Year End)	% Change
Revenue	\$12.3 billion	\$12.8 billion	+4.3%
Spa Visits	143 million	150 million	+4.7%
Locations	20,600	19,900	-3.3%
	2010 (May)	2011 (May)	
Total Employees	332,000	338,600	+2.0%
Full-Time	138,100	149,200	+8.0%
Part-Time	137,200	134,200	-2.2%
Contract	56,800	55,200	-2.8%
Square Footage	76 million sq ft	76 million sq ft	-0.3%



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Spa establishments

The number of spa establishments fell for the second year in a row, dropping to 19,900 in 2010 compared to 20,600 in 2009, a fall of -3.3%.

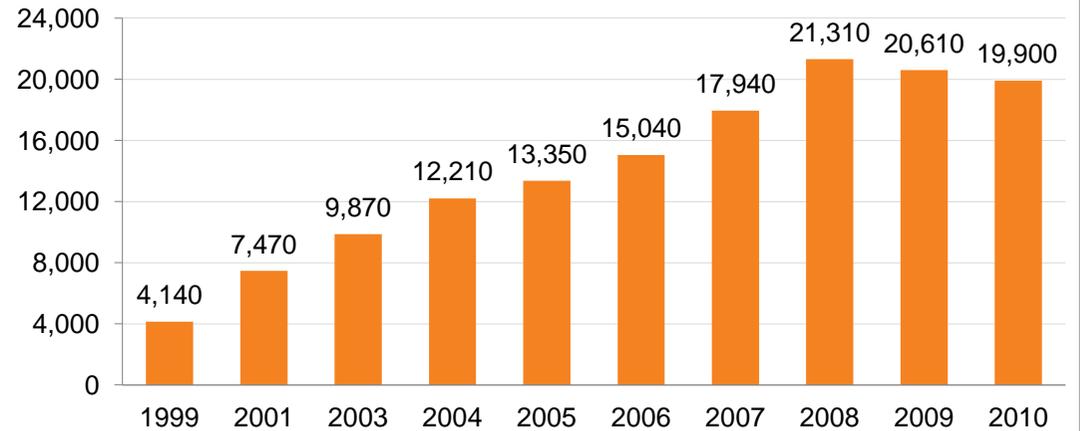
The change in the number of spa establishments depends on the balance between new spa openings and closures of existing spas.

The rate of new spa openings fell sharply in 2010. Of the spas surveyed for this study, 2.5% said they had opened in 2010. In previous years the spa opening rate was 6%-8% and above. The moderate pace of economic growth is likely to have affected the spa opening rate.

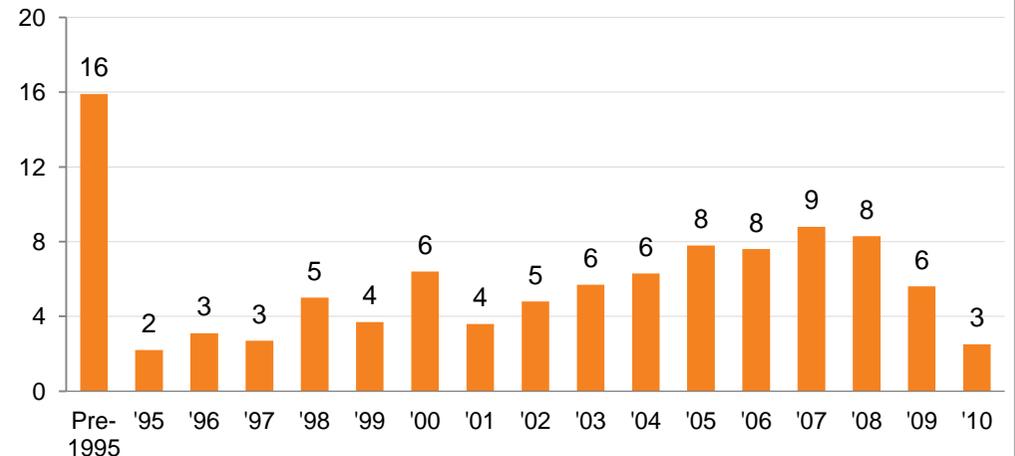
An estimated 5.8% of spas closed in 2010. This is likely to have been elevated due to the lingering effects of the recession, particularly among those spas suffering reduced profitability in 2009.

It is also possible that the fall in the number of spa establishments reflects a degree of consolidation in the industry, following the rapid growth in the period 1999 to 2008.

Total spa establishments in the U.S.



Year spa opened



Note: Year spa opened based on responses to 2011 survey.



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Spa revenues

Total spa revenues for 2010 are estimated at \$12.8 billion, an increase of \$0.5 billion on the 2009 out-turn.

The estimated 4.3% increase in total spa revenues suggests that the industry recovered in tandem with the wider U.S. economy during 2010. Adjusted for inflation, industry revenues grew by 2.6% in 2010, broadly in line with the growth in GDP noted previously.

The revenue growth in 2010 restored total spa revenues to their 2008 levels when measured in current dollars. When adjusted for inflation, 2010 revenues remained about 1.5% below the 2008 out-turn.

Average revenues per spa rose to \$642,000 in 2010, an increase of 8%. This is partly due to the pick-up in demand during the recovery phase. It is also likely that smaller spas predominated among closures of establishments in 2010, i.e. those spas surviving through 2010 were larger on average compared with those in business in 2009.

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



Average revenue per establishment (thousands)





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Spa visits

The total number of visits to spa establishments is estimated to have risen from 143 million in 2009 to 150 million in 2010, an increase of 4.7%.

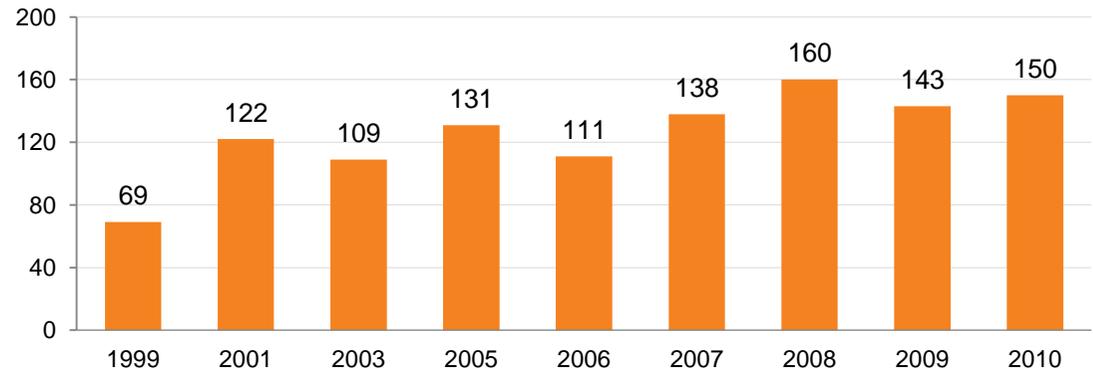
After experiencing a 10% drop in visits during the 2009 downturn, the 4.7% increase in visits during 2010 marks an important step on the road to recovery for the industry.

Total spa visits have not yet returned to their pre-recession peak of 160 million, recorded in 2008.

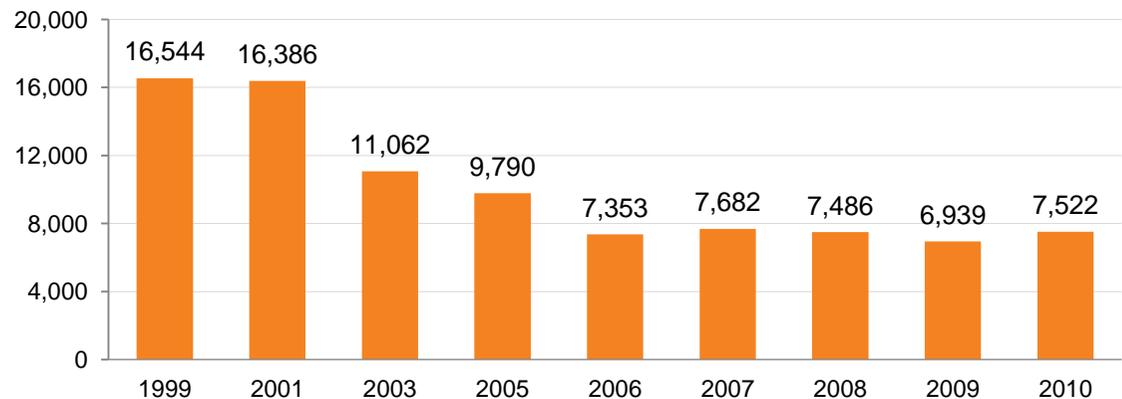
The 4.7% increase in total visits in 2010 was on par with the 4.3% rise in revenues. Thus, average revenue per visit remained flat in 2010, at \$85. Adjusted for inflation, this represented a 2% decline on 2009.

Average visits per spa rose by 8%, climbing back above 7,500 from the 2009 low of less than 7,000.

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



Average visits per establishment





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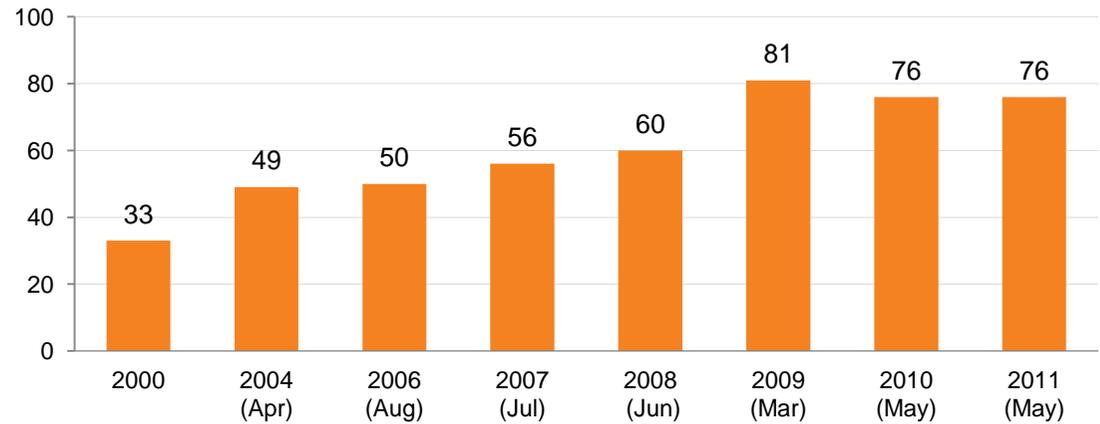
Total square footage

As of May 2011, total indoor floorspace stood at an estimated 76 million square feet, unchanged from the previous year position despite the fall in the number of spa establishments.

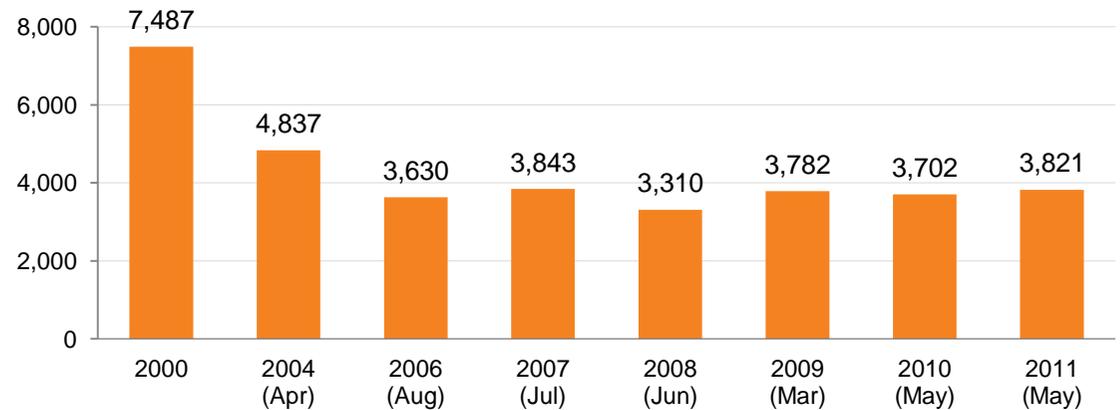
The average square footage per establishment increased from 3,702 sq ft in May 2010 to 3,821 sq ft in May 2011, a rise of 3.2%.

As measured by indoor square footage, the increase in average spa size is consistent with the view that spas at the smaller end of the spectrum were most at risk of seeing their establishment close in 2010.

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



Average square footage per establishment





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Employment

Total jobs in the spa industry are estimated to have risen from 332,000 in May 2010 to 338,600 in May 2011, a rise of 2%.

The increase in spa industry employment was entirely driven by recruitment of full-time workers, up from 138,100 in 2010 to 149,200 in 2011 (+8%). The increase in full-time hiring indicates a degree of confidence among spas in the recovery phase.

Part-time employment fell from 137,200 to 134,200 (-2.2%). Nonetheless, the part-time share of total spa employment was only slightly changed, down from 41% to 40%.

The number of contract employees fell by 2.8%, to 55,200 as of May 2011.

Average employment per spa increased from 16.1 in May 2010 to 17 by May 2011, a rise of 5.6%.

Total employees in the U.S. (thousands)



Average employees per establishment





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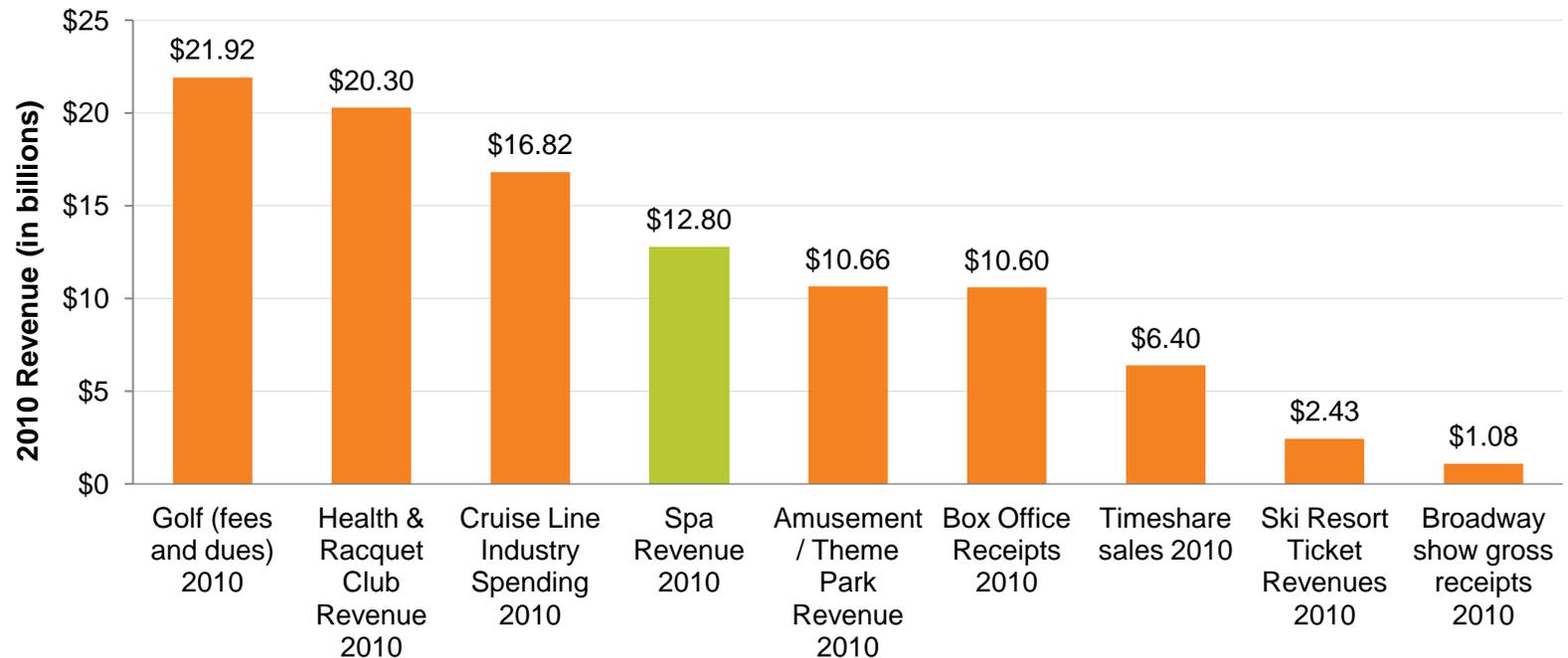
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Comparative size of spa industry

The accompanying chart shows the size of the spa industry in 2010 compared with the estimated sizes of other U.S. leisure industries.

Estimated sizes of U.S. leisure industries (2010)



Source: American Resort Development Association; Cruise Lines International Association; IBISworld; International Health, Racquet and Sportsclub Association; Motion Picture Association of America; and Financial Times Life and Arts.



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The Road to Recovery

In broad terms, the Big 5 statistics for 2010 point to a modest recovery in spa industry revenue and employment levels. The spa industry recovery is therefore comparable to both the national picture and the experience in specific industry sectors.

From March 2010 to March 2011, employment in the leisure and hospitality industry sector rose by 1.6%, very similar to the 2% increase in spa industry employment. Personal services employment increased by 1% while accommodation services registered a 2.3% rise.

In other sectors, revenues have mainly risen, albeit at varying rates. Health and racquet club revenues rose by 4.1% between 2009 and 2010. Golf fees and dues (+9.6%) and Broadway show gross receipts (+14.5%) exhibited greater buoyancy. By contrast, ski resort ticket revenues were down 5.3%.

In the course of the 2009 recession, spas adopted a range of strategies to manage the effects of the downturn. The actions taken by spas in response to the recession were discussed in detail in the 2010 U.S. Spa Industry Study. This study focuses on factors shaping the road to recovery, including:

- Pick-up in demand: A key issue in sustaining the recovery;
- Promoting and marketing to increase spa visits;
- Prices: Discounting and promotional offers were one element in managing the recession, which will tend to restrain the growth in actual average prices achieved; *and*,
- Profitability: Many spas sustained their businesses in the face of the recession, but with reduced profitability.



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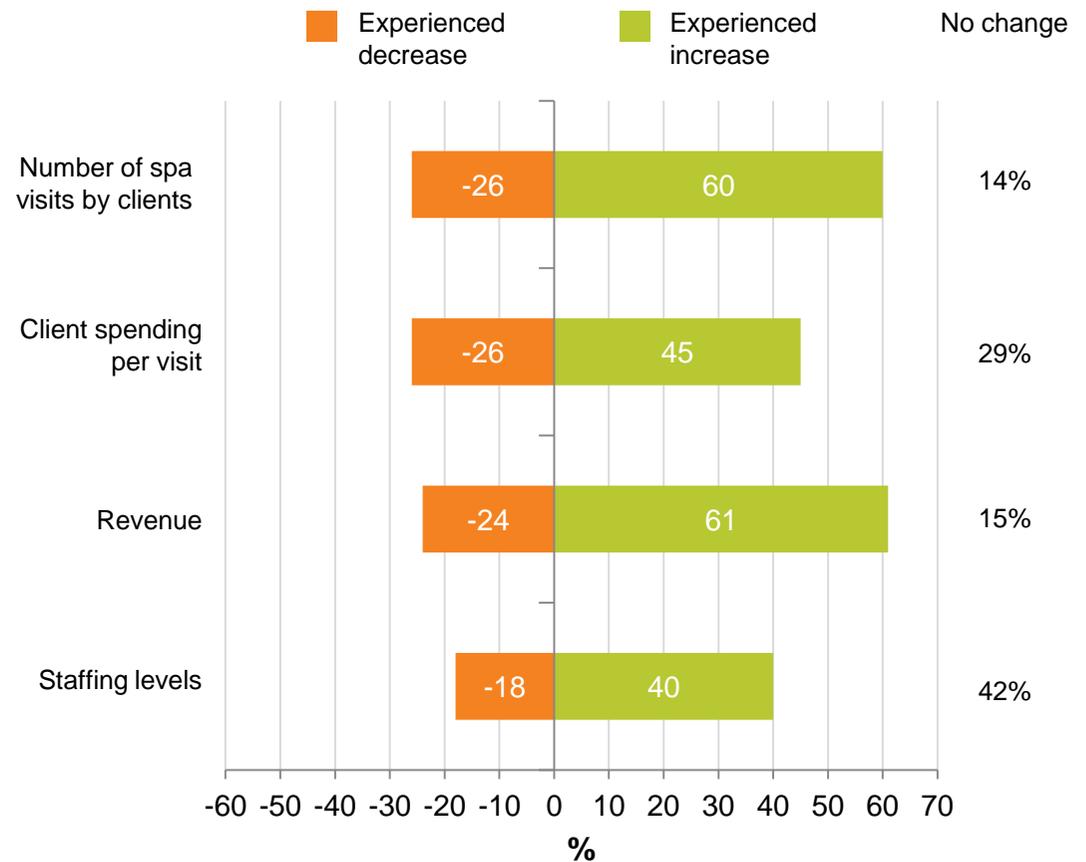
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The road to recovery: Pick-up in demand

For the majority of spas, the pick-up in demand continued into 2011, with a majority of spas reporting increased visits and revenue in the six months from September 2010 to March 2011. Spas were less likely to report increased client spending per visit.

In order to gauge more recent trends in the industry, survey respondents were asked to say whether, in the period from September 2010 to March 2011, 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 pages.

Experienced in past six months (September 2010 to March 2011)





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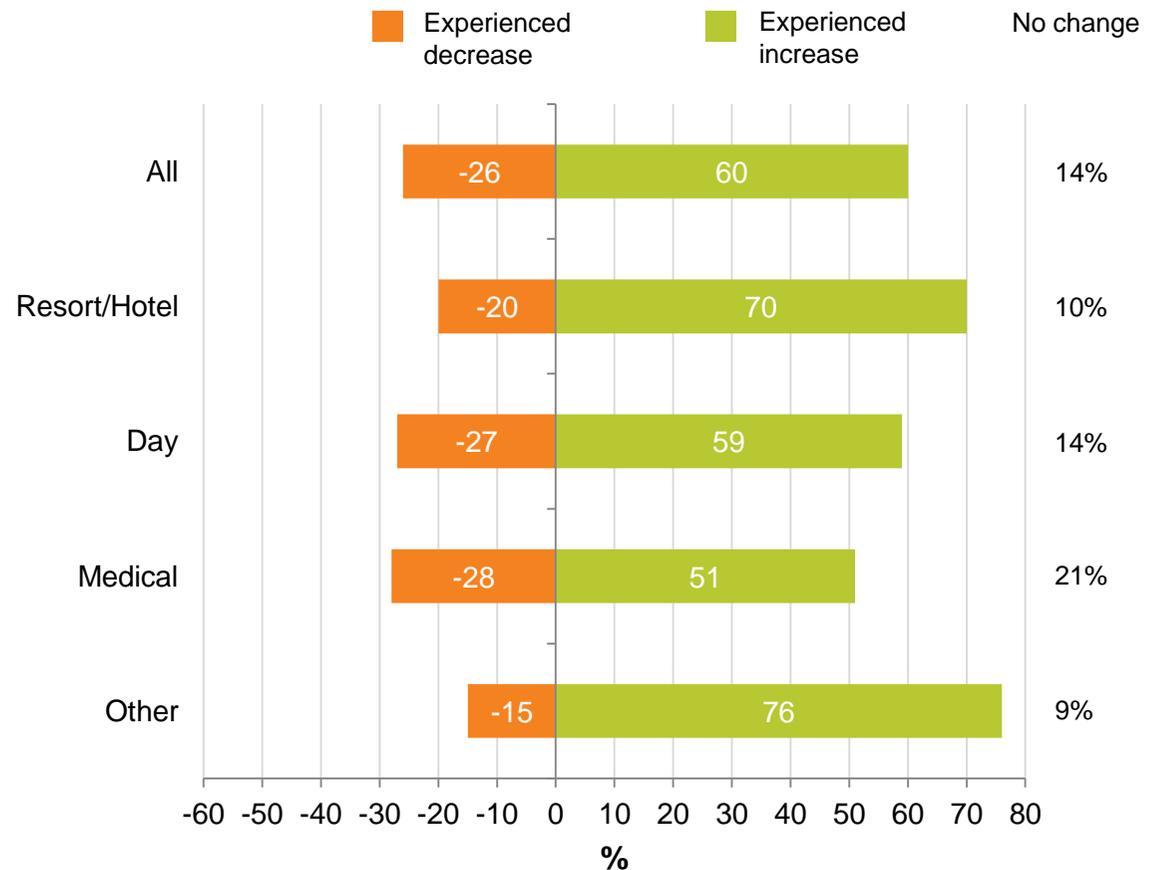
Visits by spa type

Across all spa types, a majority of spas (60%) are experiencing an increase in the number of visits. However, one in four spas (26%) were still reporting a decrease in visits in early 2011.

When asked whether their spa had experienced an increase or decrease in visits by clients in the six months from September 2010 to March 2011, 60% reported an increase.

The experience in the period from September 2010 to March 2011 can be contrasted with the same period in 2009-2010. Then, fewer than one in two spas (48%) reported an increase with 39% of spas reporting a decrease.

Experienced in past six months (September 2010 to March 2011)





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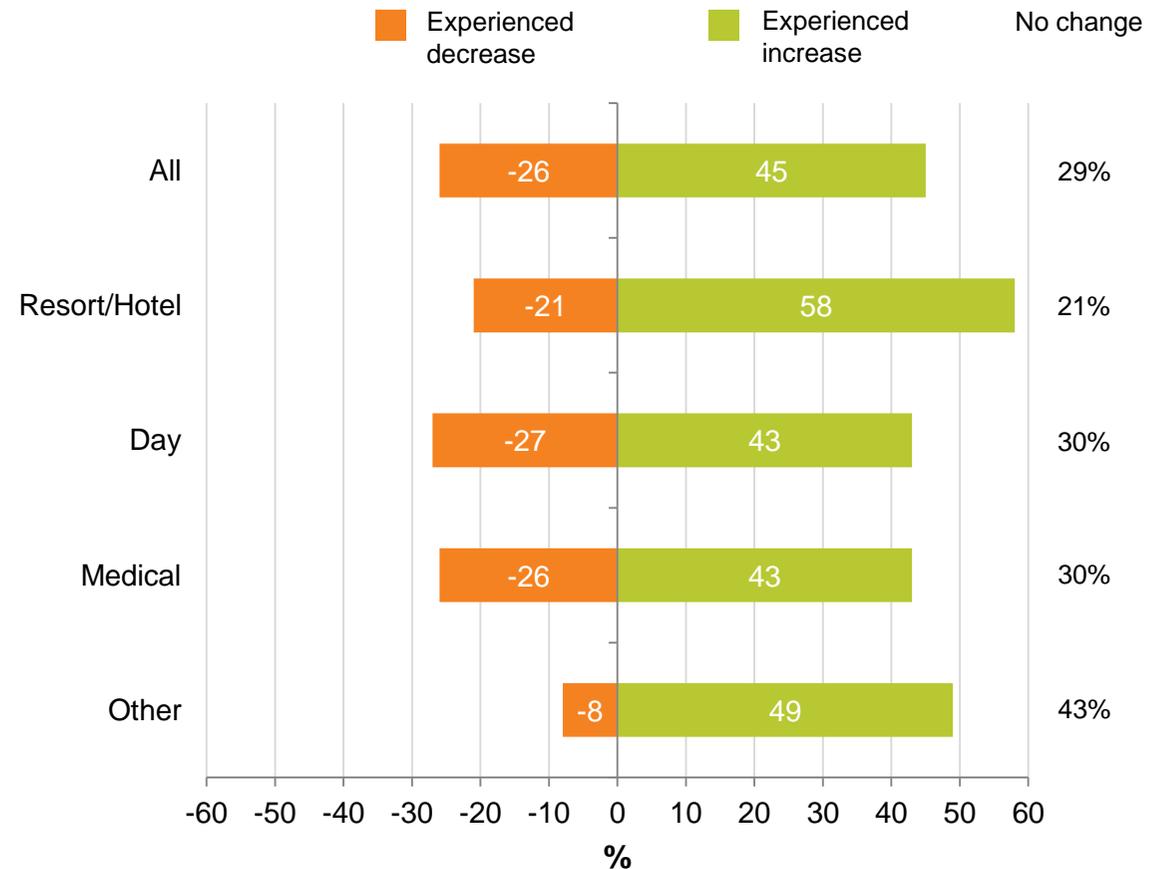
Client spending per visit by spa type

Client spending per visit has been recovering more slowly than number of visits.

A minority of spas (45%) said they had experienced an increase in client spending per visit in the six months from September 2010 to March 2011. The majority of spas experienced either no change (29%) or a decrease (26%).

Nonetheless, the proportion of spas reporting an increase in client spending per visit was higher than in the same period in 2009-2010, when only one in three spas reported an increase.

Experienced in past six months (September 2010 to March 2011)





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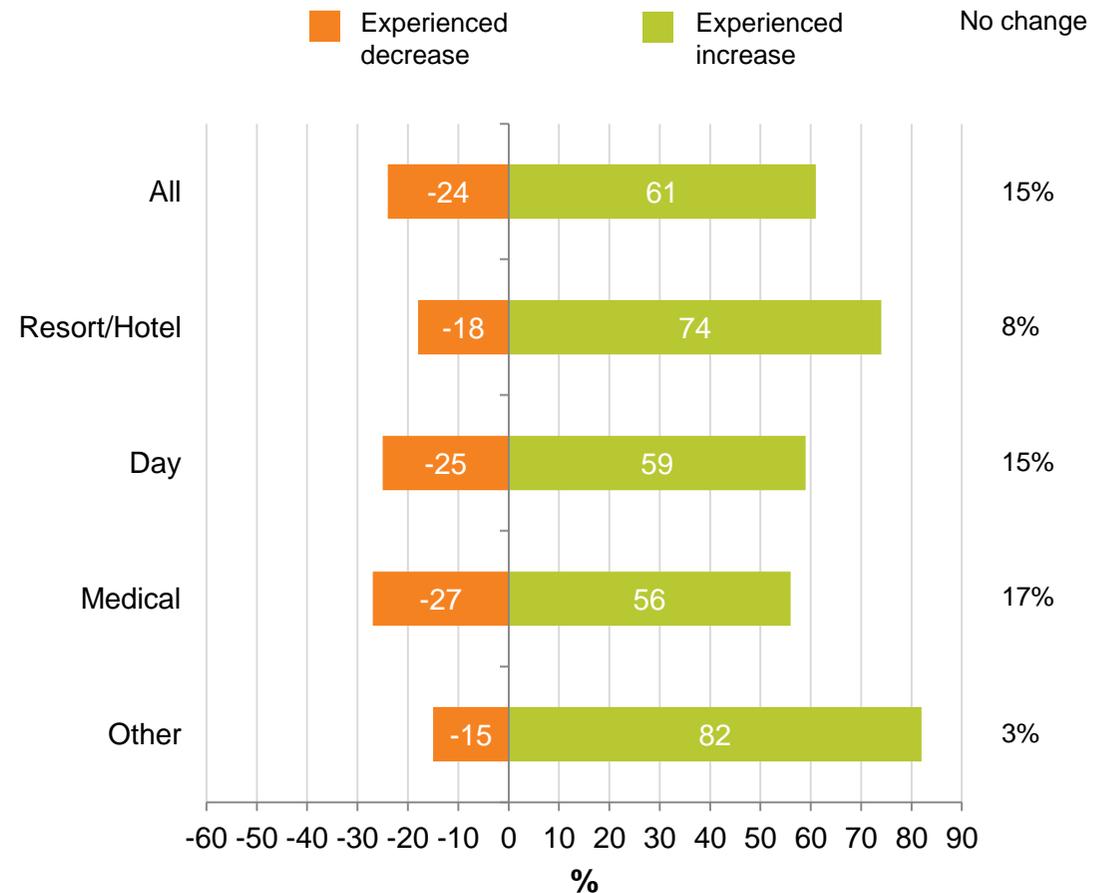
Revenue by spa type

The increasing trend in revenues by spa type is in line with the rise in number of client visits.

A majority of spas (61%) said that revenue had increased in the period from September 2010 to March 2011 compared with the same period a year previously.

Regardless of spa type, the reported trend in spa revenues over the 2010-2011 period shows a distinct improvement on the 2009-2010 period, when fewer than one in two spas (46%) said that revenues were on an upward track.

Experienced in past six months (September 2010 to March 2011)





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Staffing levels by spa type

In the six month period from September 2010 to March 2011, spas were more likely to be hiring staff than reducing payrolls.

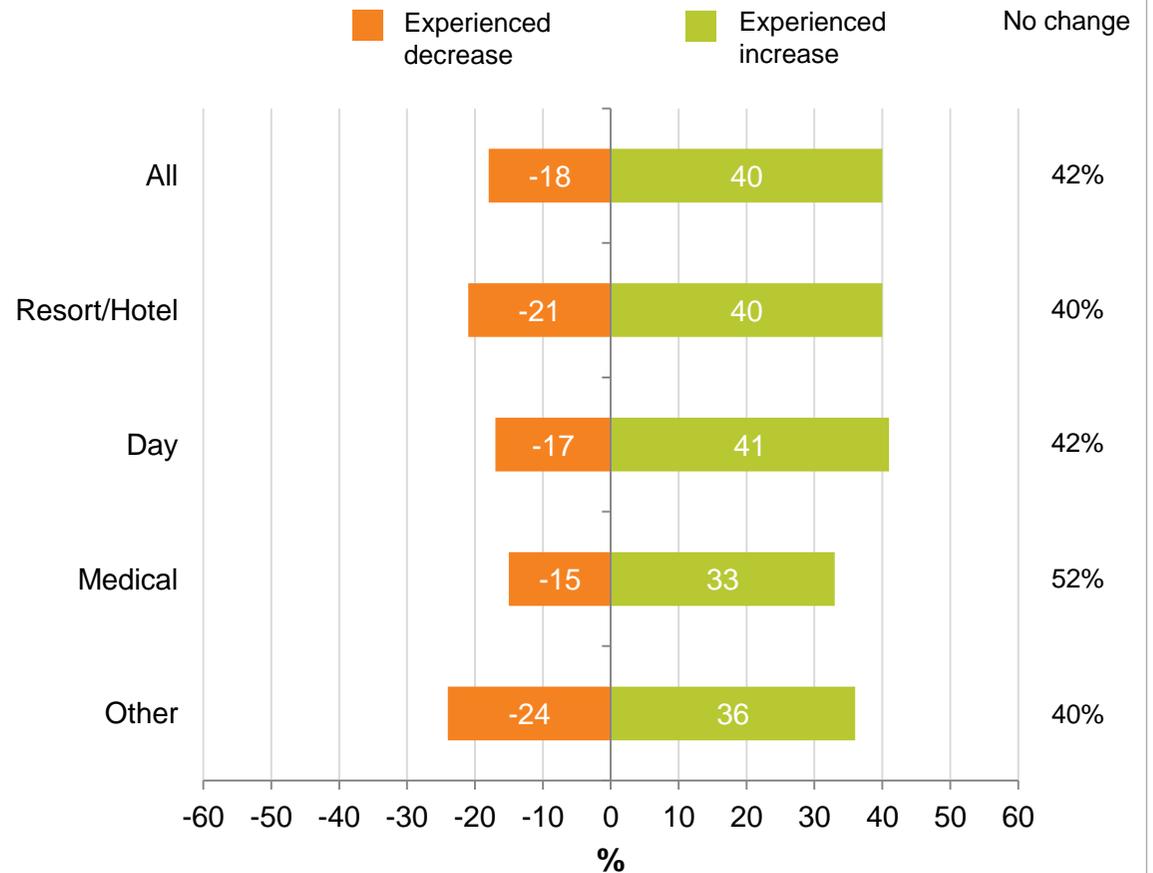
When asked about their experience with staffing levels in the six months preceding the survey, 42% of spas reported no change.

However, the proportion saying they had increased staffing levels (40%) was in excess of the proportion saying staffing levels had decreased (18%), by a margin of 22 percentage points.

The 2010-11 trend represents a sharp turnaround on the same period in 2009-2010, when almost one in three spas (31%) said they had decreased staffing levels compared to 25% reporting an increase.

The turnaround in the employment trend can be viewed as an indicator of confidence in the strength of the recovery.

Experienced in past six months (September 2010 to March 2011)





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Pick-up in demand: Summary

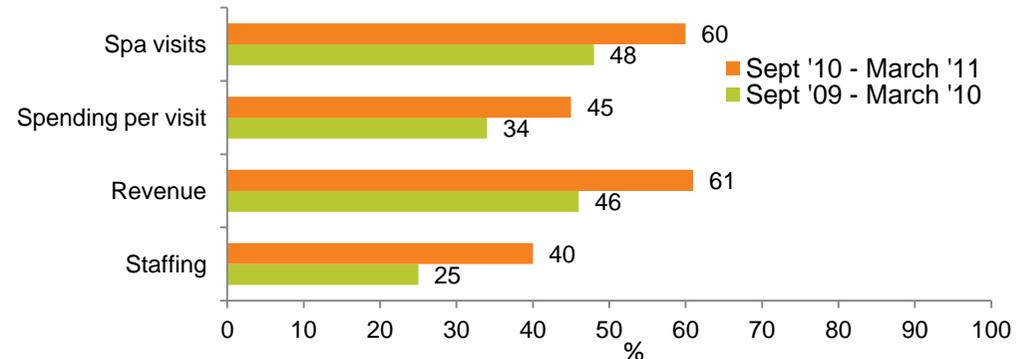
To date, the pick-up in spa revenues along the road to recovery has been driven more by increasing numbers of client visits than by increased spending per visit.

When compared with the same period in 2009-2010, the survey results for the 2010-2011 period show an improvement across each of the main indicators of demand, i.e. spa visits, client spending per visit, revenue and staffing. For each of those indicators, spas were more likely to report an increasing trend in the 2010-11 period and less likely to say they were on a decreasing trend.

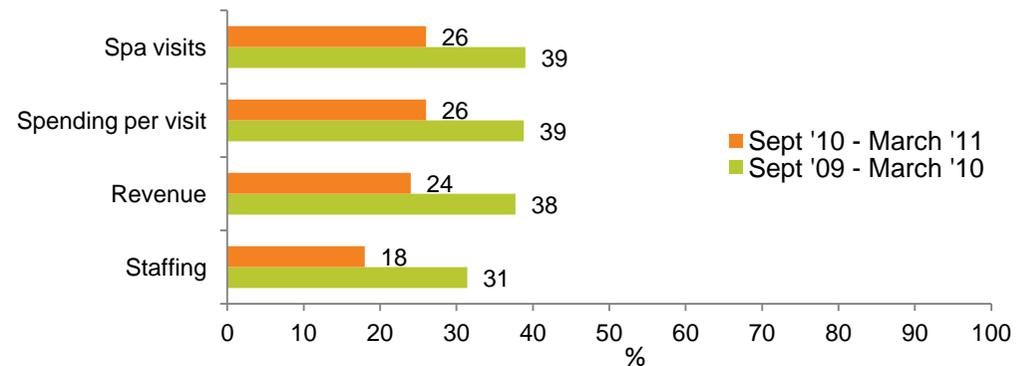
In the 2010-2011 recovery period, the proportion of spas reporting an increase in spa visits has remained well ahead of the proportion reporting an increase in client spending per visit.

Summary of experience in the past six months (September 2010 to March 2011) compared to the same period in 2009-2010.

Experienced increase in past six months:



Experienced decrease in past six months:





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The road to recovery: Promoting and marketing to increase spa visits

Spas are employing a variety of approaches to promote their businesses and stimulate demand for the services that they offer.

In managing the impact of the recession, spas made use of a range of promotions to maintain customer loyalty and attract new spa-goers, i.e. discounts and incentives for first-time clients, referral incentive programs, customer loyalty programs, and so on. These strategies were discussed in detail in the 2010 Industry Study. This report focuses on the use of online services to help increase revenue and gift promotions offered by spas in 2010. The detailed results are presented in Section 7 of the report. The following key findings can be noted to illustrate the range of activities undertaken by spas to increase demand.

Online services. Almost all spas (97%) make use of online services to help increase revenue. In particular, 95% of spas have their own Web site while 81% use online social media. Online reviews (52%) and directories (51%) also feature prominently. Deal of the day Web sites are less frequently used (28%), as are flashsale Web sites (8%).

Gift card promotions. The majority of spas (72%) offered gift card promotions in 2010. The revenue generated from sales of gift cards amounted to an estimated 13% of total spa industry revenue in 2010.

Almost all spas (96%) are also engaged in efforts to connect with their local communities, including donating products and services (85%); holding events at the spa, such as an open house (69%); and charity benefits (62%). While such efforts may not have a direct pull through to growing revenues, involvement in local communities can boost the profile of spa establishments and help to educate people regarding the benefits of the spa experience.

Clearly, spas are putting considerable effort into promoting and marketing their services. The rise in numbers of spa visits would suggest that those efforts are helping to boost growth in the recovery phase.

Though not employed by all spas, discounting and rewards to incentivize spa-goers are an important feature of promotional and marketing efforts. While such initiatives should stimulate demand, discounting is also likely to restrain the growth in prices for spa services.



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The road to recovery: Prices

Overall industry-wide average prices per service changed very little between 2009 and 2010.

Between 2009 and 2010 the average price of spa services is estimated to have fallen slightly, by -1.6%. While inflation was muted, it was not absent, as the Consumer Price Index (CPI) rose by 1.7% in 2010.

Prices in the spa industry are likely to have been restrained due to a variety of factors, including the moderate pace of increase in consumer demand and the use of discounts and rewards to encourage spa visits.

Average prices, 2010 compared to 2009

	2009	2010	Percent change
Per massage	\$86	\$85	-0.7%
Per facial	\$91	\$90	-1.2%
Per body treatment	\$96	\$95	-0.2%
Per hair service	\$67	\$68	0.8%
Per nail service	\$41	\$41	0.1%
Per service	\$81	\$80	-1.6%



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The road to recovery: Improving profitability

Increasing demand in the recovery from the recession has helped profitability improve for some spas. However, a substantial proportion of spas have not yet experienced a recovery in profitability.

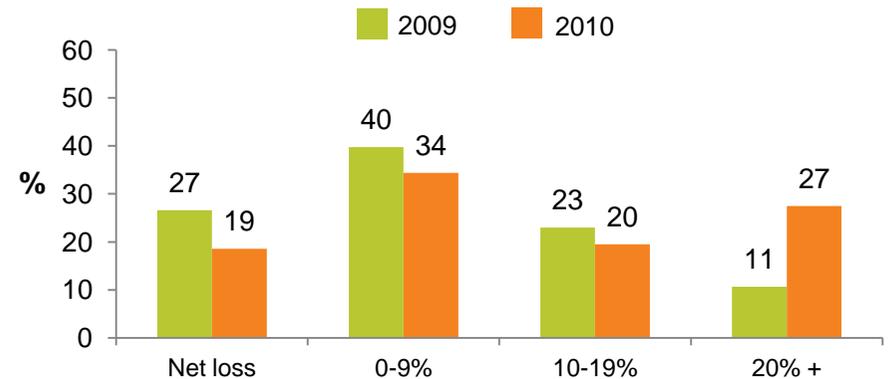
Reduced profitability was a major impact of the recession, with 27% of spas experiencing a net income loss in 2009. The 2010 upturn resulted in an improvement in profitability for many spas. The proportion reporting a net loss dropped to 19% while the proportion reporting a spa profit percentage of 20% or more rose from 11% to 27%.

The improvement in profitability would appear to have continued over the period from September 2010 to March 2011, with 49% of spas experiencing an increase. However, almost one in four spas (24%) said that profitability had decreased.

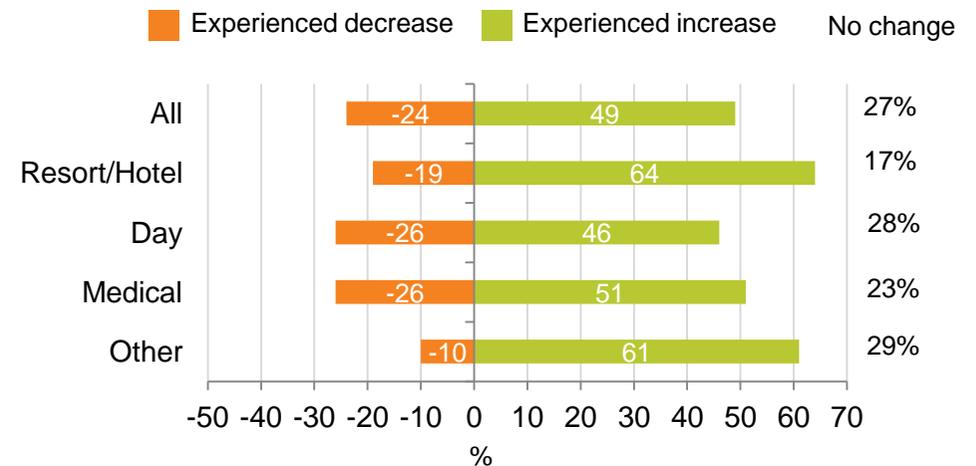
Faced with a flat trend in both prices and average client spending, improving profitability is likely to remain challenging for many spas.

*Please note resort/hotel spas were asked an alternative profitability question, see page 28.

Profit percentage before fixed charges: 2010 and 2009 All spas excluding resort/hotel spas*



Profitability by spa type Experience in six months Sept 2010 to March 2011





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The road to recovery: Improving profitability

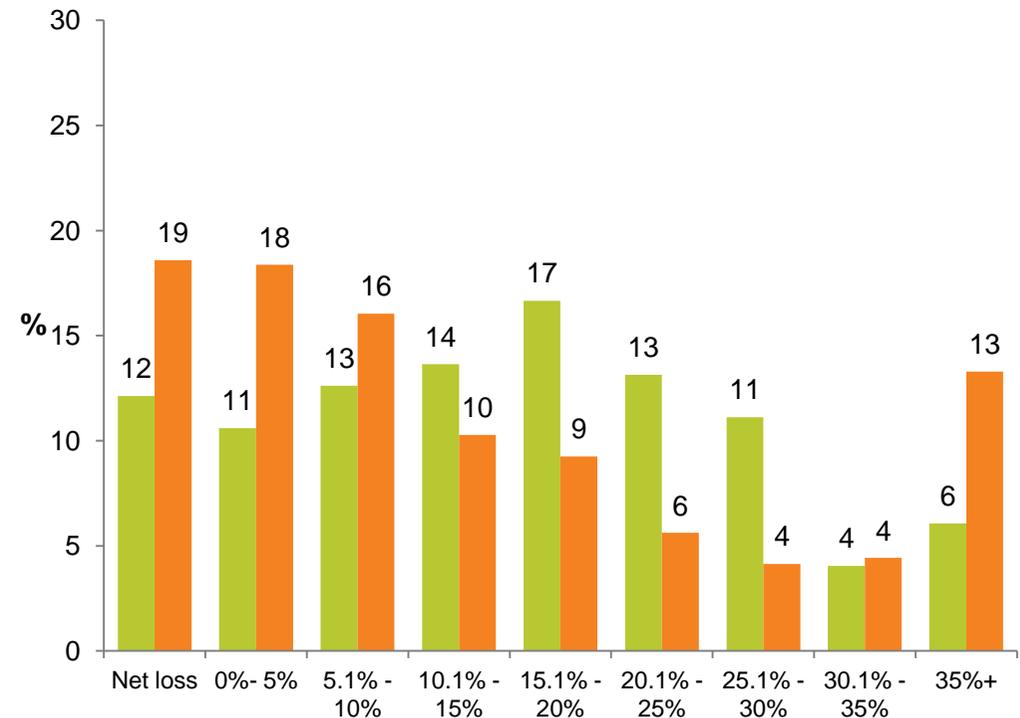
In 2010, over one in three resort/hotel spas (34%) reported a profit percentage of 20% or more, compared to 27% of all other spa types combined.

Since many resort/hotel spas are part of a larger enterprise, survey respondents in the resort/hotel sector were asked to give their approximate spa profit percentage for the year 2010, for the spa operation only and not the entire business. Spa profit is defined as the operating profits from spa operations, which can also be called departmental profit or spa profit contribution.

All other types of spa establishments were asked to give the approximate spa profit before fixed charges percentage.

Spa profit percentage 2010*

Resort/Hotels spas Other spa types



*Please note resort/hotel spas were asked an alternative profitability question in the previous 2010 U.S. Spa industry Study.



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Looking ahead: Key challenges facing the spa industry - what the survey respondents said

- 1. Economy:** The economy remains sluggish, inflation is outpacing wages, and the employment picture is still uncertain. As a result, consumers lack discretionary income to pay for 'extras' such as spa services.
- 2. Costs:** Overhead costs are rising. It is a challenge for spas to keep prices in line with costs and still meet margins and quality standards.
- 3. Staff:** Recruiting and keeping high quality professional staff with a strong work ethic continues to be a major concern for many spas. Qualified staff are in short supply in a highly competitive market, so they move around and expect high wages.
- 4. Customers:** Attracting new clients and retaining loyal customers remains difficult:
 - less disposable income, more careful spending; people fear for their jobs;
 - spa visits may be perceived as a luxury not an essential;
 - longer gaps between treatments, fewer products purchased;
 - Internet savvy public is shopping around for the cheapest possible deals - many wait until they find the right online deal and go for one-off offers. Less loyalty as they are price driven;
 - concern that clients are thinking about cost rather than the experience.
- 5. Competition:** The marketplace has become even more crowded, with many more low cost options – more players chasing the available discretionary income.
- 6. Pricing:** A major issue as online deal of the day offers are seen by some spas as driving prices 'to the bottom'. Consumers are now highly price conscious and no longer want to pay full price. They expect deals. Spas believe deep discounts do not reflect the true cost of providing a professional service with quality products and devalue the reputation of the industry.



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Looking ahead: Key challenges facing the spa industry - what the survey respondents said

7. Education: Essential to counter two key negative perceptions:

- Spas are luxury, pampering services - 'Fluff and Puff'. The public needs to be educated that spas can provide essential treatments that promote wellbeing and help people to perform better and cope with stress.
- Spa treatments/products are overpriced. A view generated by the deep discounting.

8. Treatments: The challenge is to stay cutting edge and keep up with trends and consumer preferences/needs while controlling costs. Consistent quality is a must – with good products and treatments that are innovative. Treatments with a proven track record that offer preventative benefits help maintain a quality reputation.

9. Marketing: Many spas do not have the money to afford traditional marketing, but spas do feel the need to counter negative perceptions and change the focus from luxury/pampering to wellbeing in tune with the times. People need a reason for spending money in a tight economy, so the messages of health, wellbeing, stress and affordability counter the luxury mindset and give "permission to spend on yourself".

10. Differentiating the spa product: The challenge of justifying higher price points and allowing spas to stay true to their brand by seeking to emphasize a better, consistently high quality experience that makes customers feel special and is results driven.



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Key Points Summary

Industry growth 2010

Spa revenue growth in 2010 was broadly in line with the moderate pace of expansion in the national U.S. economy. With average revenue per visit remaining unchanged, the main factor driving the increase in revenues was a rise in total visits.

The pace of recovery was not, however, sufficient to prevent a further drop in the number of spa locations, which fell for the second year in a row. New spa openings were at their lowest rate in over a decade.

Total square footage remained unchanged, despite the fall in the number of locations. The resulting increase in average spa size suggests that spas at the smaller end of the spectrum were most at risk of seeing their establishment close in 2010.

The March 2011 out-turn for employment was positive, registering a modest 2% increase, indicating a degree of confidence among spas in the strength of the recovery.

The road to recovery

National economic developments have been the single most important factor shaping the pace of growth in the spa industry, both in the recession and the recovery phase. Against that backdrop, the nature and pattern of growth within the spa industry has been shaped by a number of factors, as follows.

- Pick-up in demand. To date, the pick-up in spa revenues along the road to recovery has been driven more by increasing numbers of client visits than by increased spending per visit.
- Promoting and marketing to increase spa visits. Spas have had to work hard to sustain and grow their businesses, deploying a wide range of approaches to connect with and incentivize the consumer.
- Prices. The average price of main spa services were stable or slightly declining in 2010. This is likely to reflect a variety of factors, including the moderate pace of increase in consumer demand and the use of discounts and rewards to encourage spa visits.



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Key Points Summary *(continued)*

- Profitability. Boosted by increasing demand in the recovery from recession, many spas have seen profitability improve. However, a substantial proportion of spas have not yet experienced a recovery in profitability.

Looking Ahead

The spa industry continues to face challenges on the road to recovery, including:

- National economic developments will continue to exert a major influence on the prospects for growth and profitability in the spa industry;
- Faced with a flat trend in both prices and average client spending, improving profitability is likely to remain challenging for many spas;
- Balancing the need to promote and market the spa as a quality experience with the use of discounting as a means to incentivize demand;
- Keeping prices in line with costs while still meeting margins and quality standards;
- Attracting new clients and educating consumers to emphasize health and wellbeing benefits from the spa experience; *and,*
- Recruiting and retaining high quality professional staff.



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- Size differences and key statistics
- Regional patterns
- Age profile
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Section 3: Introduction

This Section presents a profile of the estimated 19,900 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 to 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 single location operations or affiliated to a larger entity?

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Industry composition: Type of spa

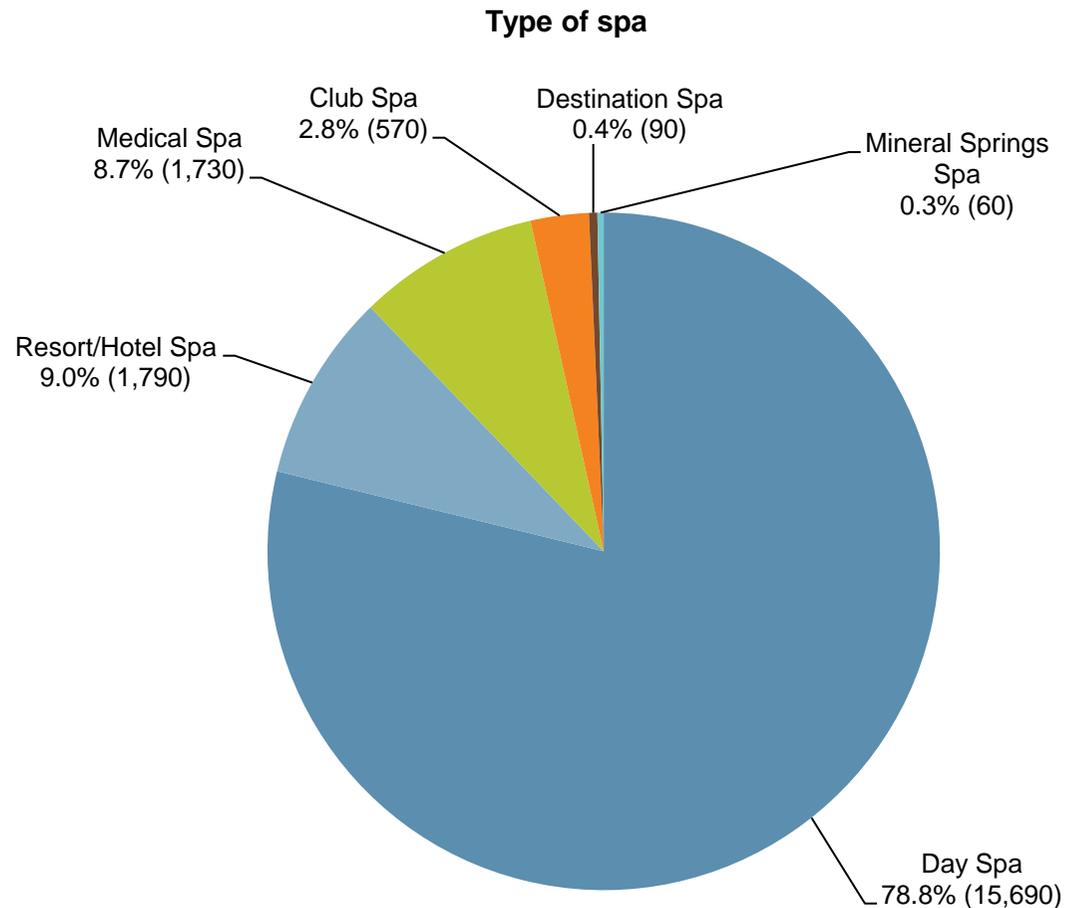
Day spas continue to account for the largest proportion of all spa establishments (79%), followed by resort/hotel spas (9%) and medical spas (9%).

An estimated 15,690 day spa establishments were in operation at the end of 2010. Compared with the 2009 estimate, there were 610 fewer day spas in 2010, a 3.7% decline.

The number of resort/hotel spas in 2010 is estimated at 1,790, slightly lower than the 2009 estimate (1,810, -1.1%).

The estimated number of medical spas in 2010 (1,730) fell by 3.1% compared with the 2009 estimate.

Due to their sample sizes in the survey undertaken for this study, the remaining 710 spas are combined into the 'Other' category when reporting survey findings.



Note: Numbers of spas rounded to the nearest ten.



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Size differences

The key indicators for measuring size differences by type of spa are average revenues, visits, floorspace and employment.

The key size indicators are shown for each of the main spa types in the Key Ratios table on page 37.

On each of the key size measures, resort/hotel spas operate on a larger scale than the rest of the spa industry. The size difference is widest in respect to floorspace, as the average resort/hotel spa occupies 3.5 times more floorspace compared with the average for all spas. Reflecting the larger scale of their facilities, the average number of visits per resort/hotel spa (13,132) was 1.7 times larger than the industry average (7,522). At \$1.461 million, total revenue per spa in the resort/hotel sector was 2.3 times higher than the industry average (\$0.642 million) in 2010. The disparity in average revenues reflects both the higher number of visits per resort/hotel spa and also a higher ratio of revenue per spa visit in the resort/hotel sector (\$111) compared to the industry average (\$85).

There is also considerable diversity in scale of operation within each type of spa. This can be illustrated by median revenues by spa type (see page 38). The median is the middle value in the distribution of revenues and can serve to indicate the scale of operation of the 'typical' spa. For example, in 2010, median day spa revenues were \$0.278 million, i.e. one in two day spas had revenues below \$0.278 million and the remainder had revenues above that amount. Therefore, in 2010, 50% of day spas generated revenues that were less than half the day spa average (\$0.546 million). By contrast, fewer than one in five day spas (19%) generated revenue amounts, in excess of \$1 million.

Similar diversity in scale of operations also exists within the medical and resort/hotel sectors. That is, median values tend to be lower than average values, indicating that the 'typical' spa is somewhat smaller than might be suggested by the average size ratios.

Note: The key ratios by spa type should be interpreted with caution. They are estimates based on a sample of spa establishments and will therefore be subject to variability from sampling error. This applies particularly to spa types associated with smaller sample sizes, notably medical spas and the other spa category.

Special care should be taken in making comparisons with previous Spa Industry reports as the estimates in those previous reports will also exhibit variability due to sampling error. For the spa types shown in the accompanying Key Ratios page, year-over-year differences cannot be distinguished from sampling variability.



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Key ratios by spa type

As they are based on a sample of spas, the key ratios by spa type should be interpreted with caution. Please see note on previous page when making comparisons with previous Spa Industry Studies.

	All	Day	Medical	Resort /Hotel	Other*
Revenue per Spa	\$642,000	\$546,000	\$561,000	\$1,461,000	\$880,000
Per visit	\$85	\$76	\$138	\$111	\$108
Per sq ft	\$168	\$192	\$251	\$109	\$175
Per employed person	\$37,770	\$36,272	\$51,156	\$39,828	\$35,830
Visits per Spa	7,522	7,234	4,055	13,132	8,175
Square Footage per Spa	3,823	2,842	2,240	13,467	5,034
Total Employees per Spa	17	15.1	11	36.7	24.6
Full-Time	7.5	6.6	5.6	16.3	9.8
Part-Time	6.7	5.8	3.2	16.6	11.3
Contract	2.8	2.7	2.1	3.8	3.4

*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 \$278,000, representing 51% of the day spa average (\$546,000). 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
Revenue	\$324,000	\$278,000	\$327,000	\$907,000	\$430,000
Visits per Spa	3,833	3,667	2,200	8,000	2,400
Square Footage	2,175	2,000	2,000	9,500	3,000
Total Employees	7	7	6	23	12
Full-Time	4	3	3	10	4
Part-Time	3	3	2	13	8
Contract	0	1	1	0	0



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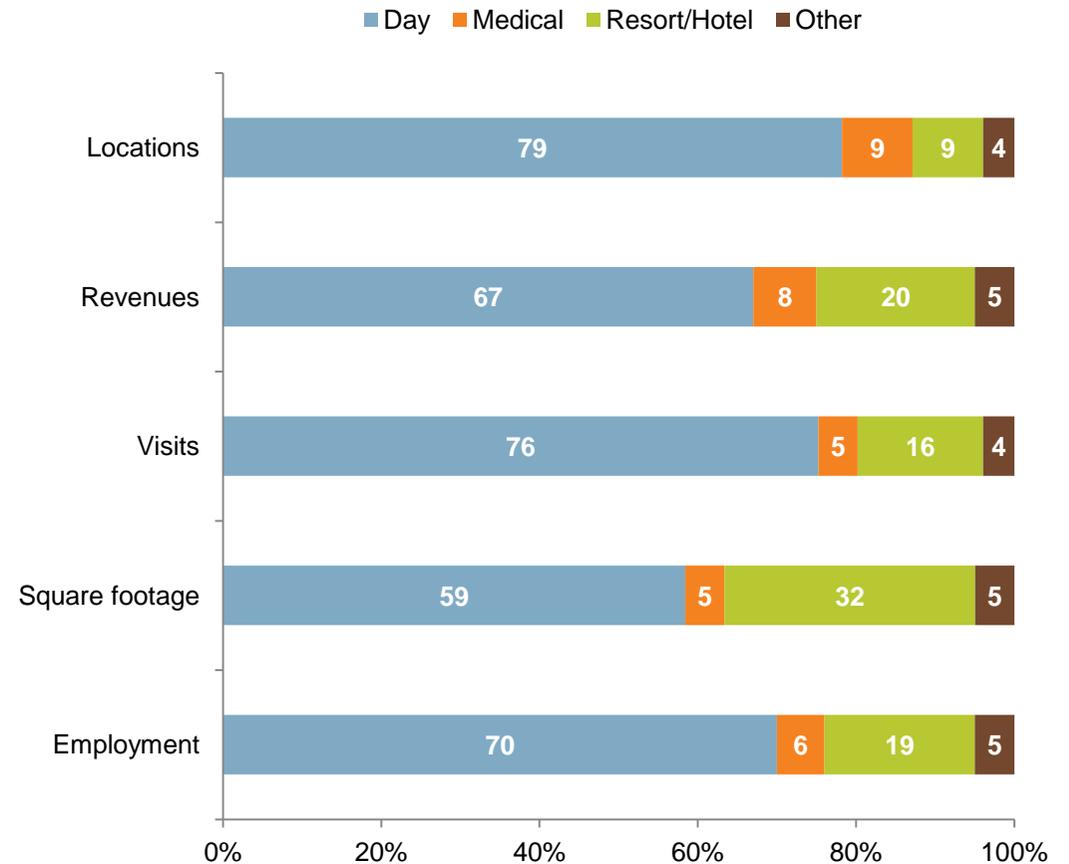
The Big 5: Composition by spa type

Reflecting their larger average size, the shares of spa industry revenues, visits, floorspace and employment accounted for by resort/hotel spas exceed their 9% share of spa locations.

As noted in the previous discussion of size differences by spa type, resort/hotel spas are larger than average across each key size indicator. For example, the average resort/hotel spa occupies 3.5 times more floorspace compared to the industry average; consequently, the resort/hotel spa share of total industry floorspace (32%) is 3.5 times larger than the sector's 9% share of locations.

Day spas account for 76% of total spa industry visits, not greatly different from their 79% share of locations. However, average revenue per visitor in the day spa sector (\$76) is below the industry average (\$85). Hence, the day spa share of total industry revenues (67%) is below its 76% share of visits.

Composition by spa type





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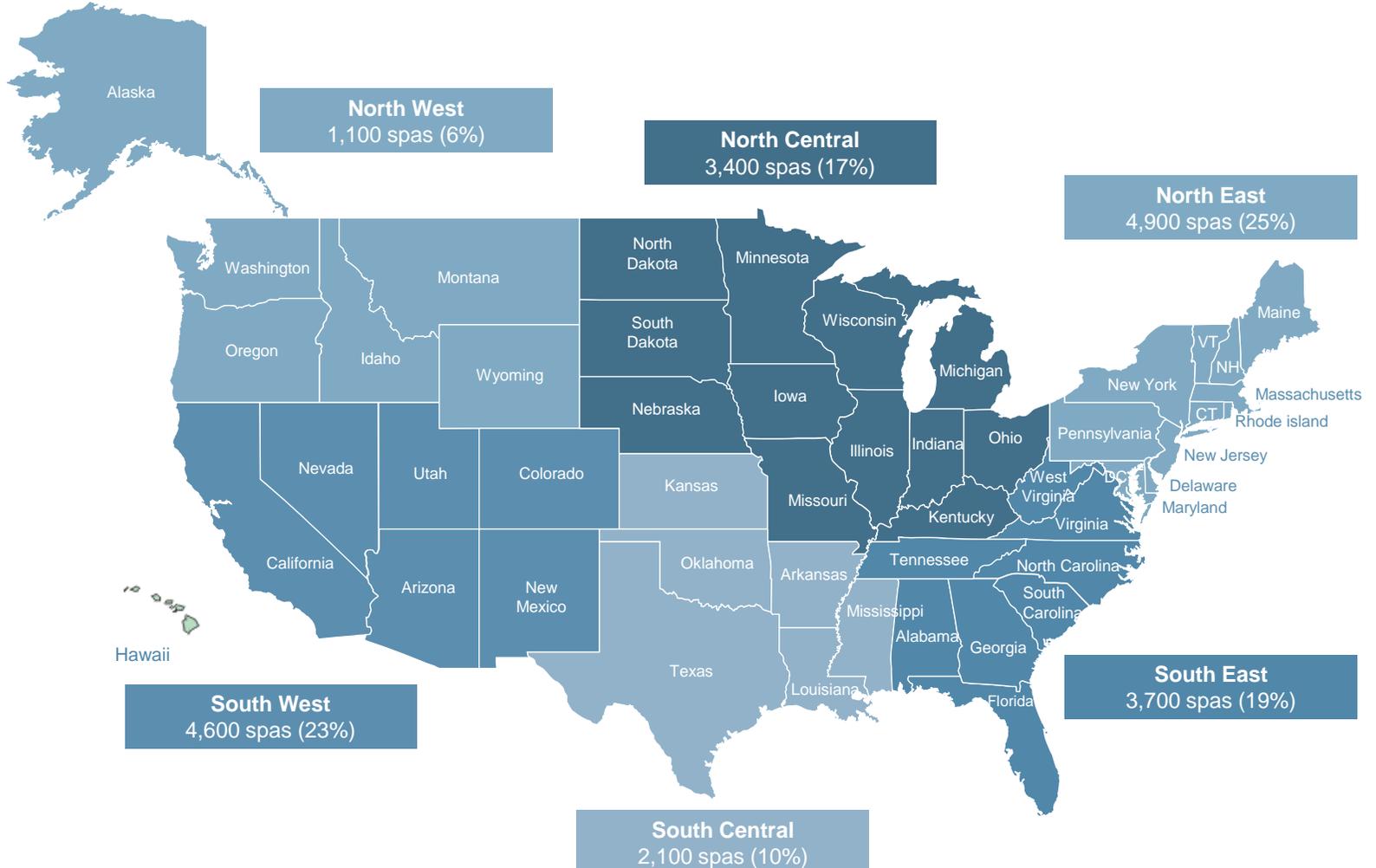
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The distribution of spa establishments by region



Note: Number of spas rounded to the nearest 100





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Geography of the spa industry: Regional distribution

The regional distribution of the spa industry continues to follow the regional pattern in the distribution of personal income.

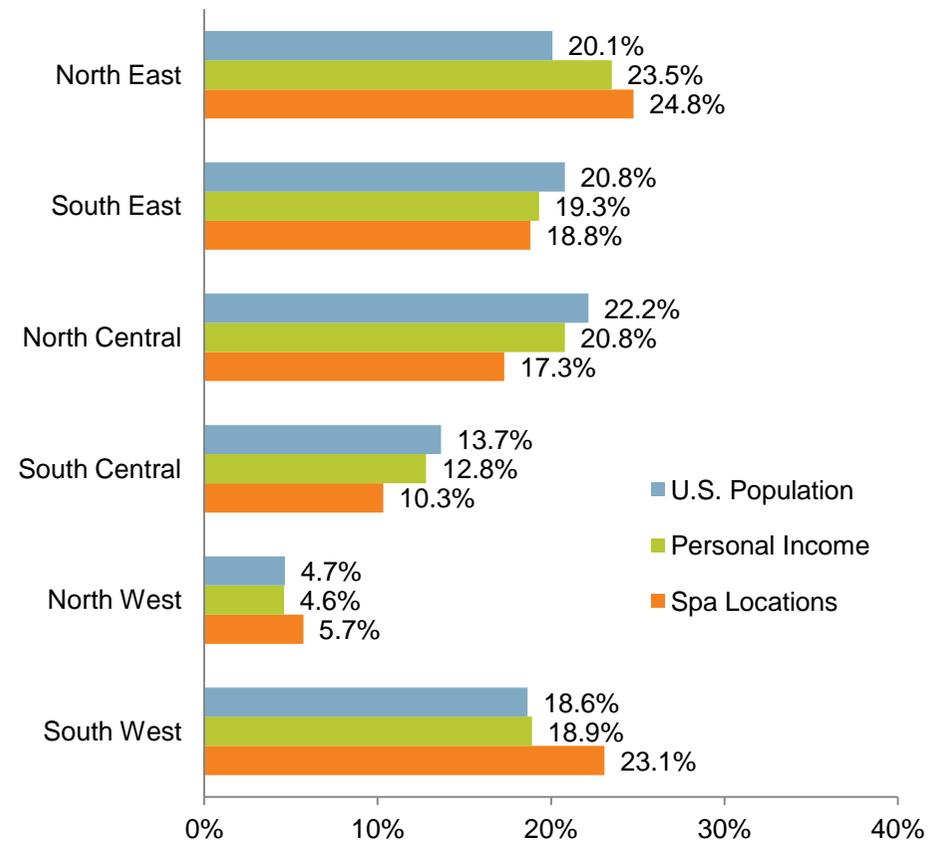
In general, the regional distribution of spa locations is more closely linked to the distribution of personal incomes than population.

As can be seen from the accompanying chart, the spa locations share is typically closer to the regional personal income than the population share. For example, the North East region has a 24.8% share of locations compared to a 23.5% income share and a 20.1% population share.

Relative to both personal income and population, spas are most heavily concentrated in the South West region, with a 23% share of spa locations compared to 19% of both income and population.

By contrast, in the North and South Central regions, there is an under-representation of spas 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.

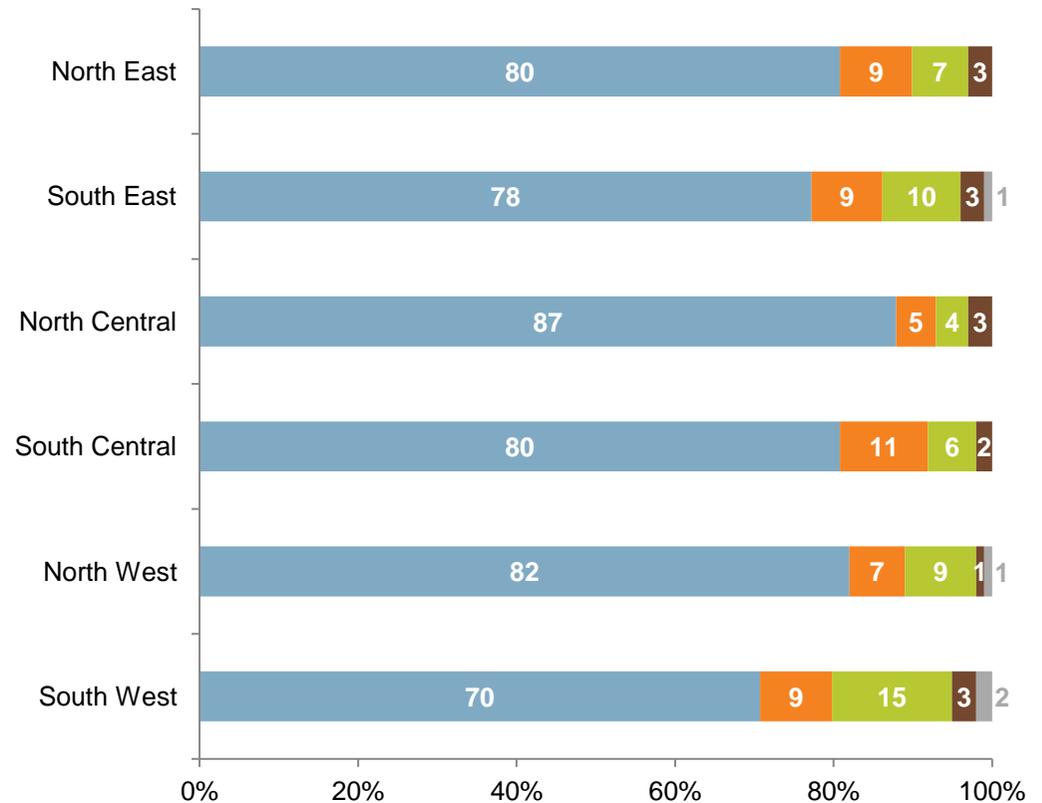
In four of the six regions, day spas comprise between 78% and 82% of all spa establishments, little difference from the national average of 79%.

By contrast, in the South West, day spas are 70% 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 (4%) are under-represented when compared with their national average shares of 9% each.

Composition of spa types by region

■ Day ■ Medical ■ Resort/Hotel ■ Club ■ Other





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

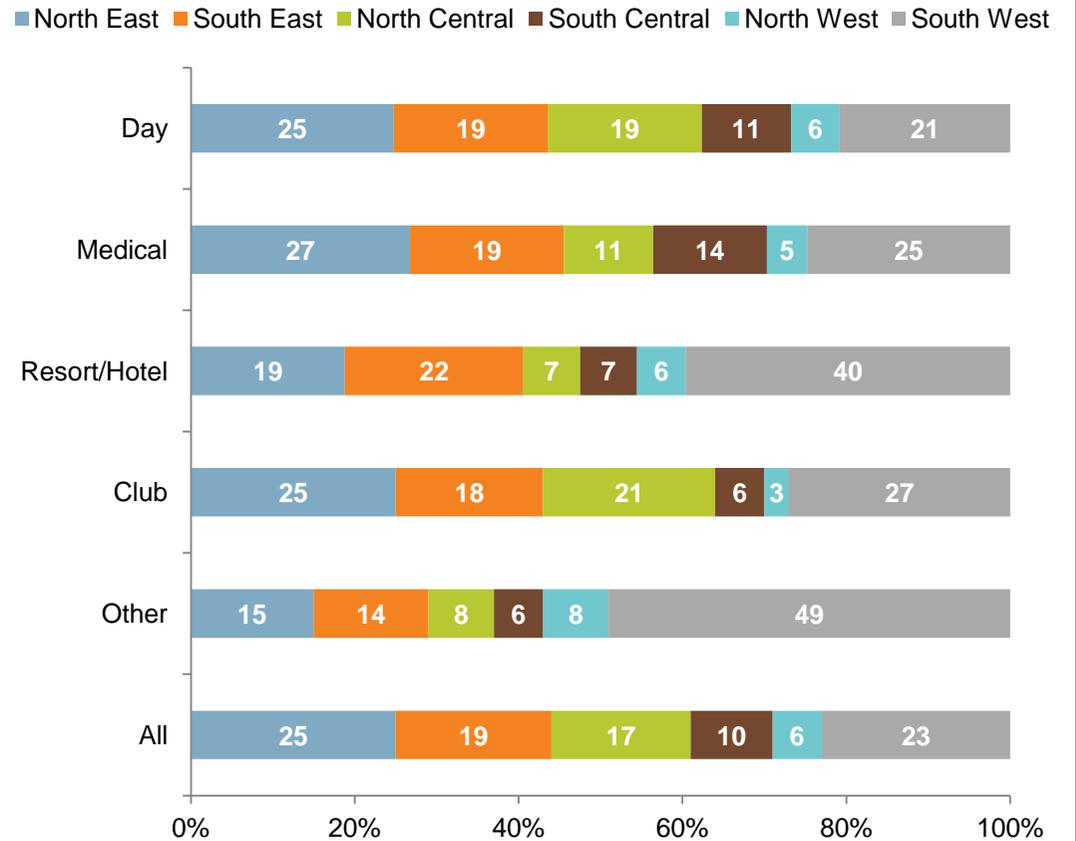
The regional distribution of club, day and medical spas broadly follow the regional pattern in personal income. Resort/Hotel, mineral springs and destination spas have a more distinct regional pattern, being more heavily concentrated in the South West.

The regional distributions of day, medical and club spas tend to follow the regional pattern in personal incomes, as such spas typically serve the population living in the areas where they are located.

Resort/hotel spas follow a much more distinct regional pattern. Specifically, 40% of such spas are located in the South West, i.e. over two times the region's 19% population share. With a combined 49% share, destination spas and mineral springs spas are even more heavily concentrated in the South West region.

This distinct regional pattern reflects both the historical evolution of the industry and the attractiveness of the region's spas to visitors from outside the region.

Distribution of spa types by region



Note: For the chart above, the 'other' category comprises destination and mineral springs spas.



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Key ratios by region

	All	North East	South East	North Central	South Central	North West	South West
Revenue per Spa	\$642,000	\$579,000	\$595,000	\$578,000	\$740,000	\$671,000	\$743,000
Per visit	\$85	\$85	\$92	\$71	\$92	\$71	\$93
Per sq ft	\$168	\$162	\$149	\$173	\$214	\$196	\$163
Per employed person	\$37,770	\$36,799	\$36,699	\$34,604	\$44,092	\$36,939	\$39,185
Visits per Spa	7,522	6,843	6,463	8,132	8,030	9,426	7,958
Square Footage	3,823	3,582	4,007	3,337	3,454	3,429	4,559
Total Employees	17.0	15.7	16.2	16.7	16.8	18.2	19.0
Full-Time	7.5	6.5	7.7	7.1	9.2	8.4	7.7
Part-Time	6.7	6.4	5.9	7.5	4.6	7.9	7.9
Contract	2.8	2.9	2.6	2.1	3.0	1.8	3.4
Locations*	19,900	4,900	3,700	3,400	2,100	1,100	4,600
% of total locations	100%	25%	19%	17%	10%	6%	23%

*Regional number of locations rounded to the nearest hundred.

Note: The key ratios by region should be interpreted with caution, particularly when comparing with the national average statistics. Please see key ratios note on page 37.



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Year spa business started

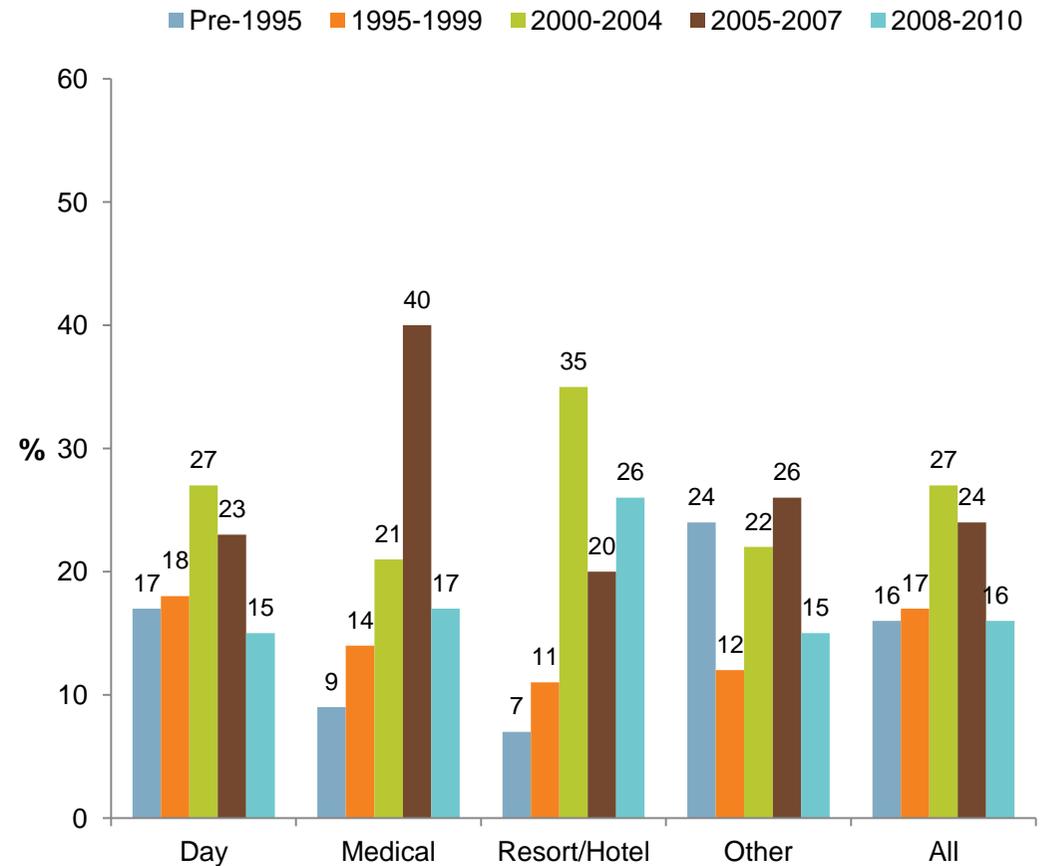
Among those spas in business at the end of 2010, over one in two (51%) said they started in the period from 2000 to 2007. Fewer than one in six (16%) started in the most recent period (2008 to 2010), suggesting a deceleration in the rate of new spa start-ups.

Based on the age profile of spas in business at the end of 2010, the period from 2000 to 2007 was one of rapid expansion in the spa industry. Six in ten medical spas started in that period, followed by 55% of resort/hotel spas, 50% of day spas and 48% of the other spa category.

By the same measure, the pace of expansion in the number of spa locations has slowed in the wake of the 2008-09 recession.

Resort/hotel spas would seem to be an exception, as 26% of survey respondents said their spa had started in the period from 2008-2010. However, the vast majority of those starts (80%) occurred in 2008 and 2009 with relatively few starts in 2010.

Year spa business started





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Type of operation

The vast majority of spas (74%) describe themselves as single location operations.

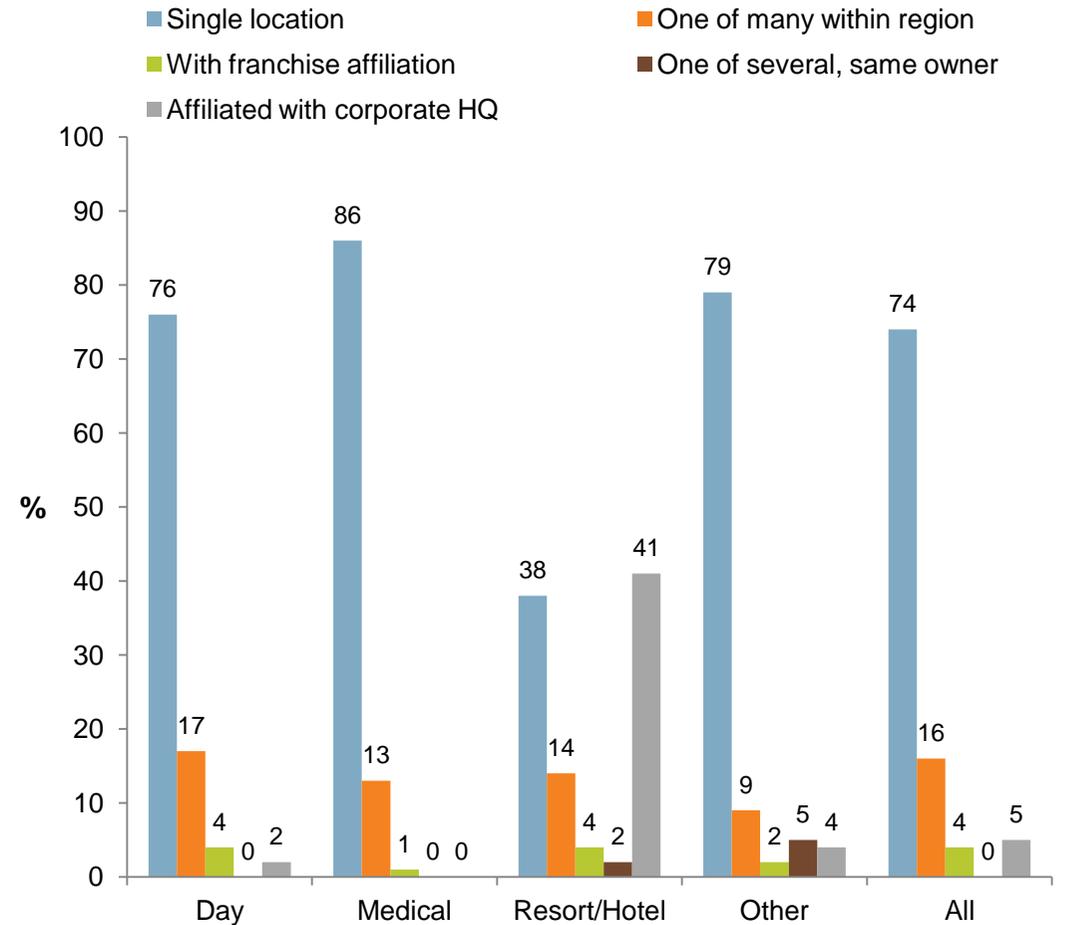
Resort/hotel spas are the main exception, as they are more likely to be affiliated with a national corporate headquarters (41%) than to operate as single location establishments (38%).

Medical spas are most likely to describe themselves as single location operations (86%), followed by the combined other spa category (79%) and day spas (76%).

Operations with a franchise affiliation account for a further 4% of spas.

A little under one in six spas (16%) describe themselves as part of a state or regional group of spas.

Type of operation





Key Points Summary

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

- As in all previous spa industry studies, a large majority of spa locations operate as day spas (79%).
- On each of the key measures of average spa size (revenues, visits, floorspace, employment), resort/hotel spas are larger in scale than other spa types.
- There is also considerable diversity in scale of operation within each of the main spa type groupings.
- The regional distribution of the spa industry continues to follow the regional pattern in the distribution of personal income.
- Resort/hotel, mineral springs and destination spas have a distinct regional pattern, being heavily concentrated in the South West region.
- With their more local market orientation, the regional distributions of club, day and medical spas are closely aligned with the regional shares of personal income and population.
- Based on the age profile of spas in business at the end of 2010, the period from 2000 to 2007 was one of rapid expansion in the spa industry. By the same measure, the pace of expansion in the number of spa locations has slowed in the wake of the 2008-09 recession.
- The vast majority of spas (74%) describe themselves as single location operations.
- Resort/hotel spas are the main exception, as they are more likely to be affiliated with a national corporate headquarters (41%) than to operate as single location establishments (38%).

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Spa Industry Profile

Facilities

- Indoor square footage: Elements
- Treatment rooms: Number
- Salon service stations: Number
- Revenue stations: Total

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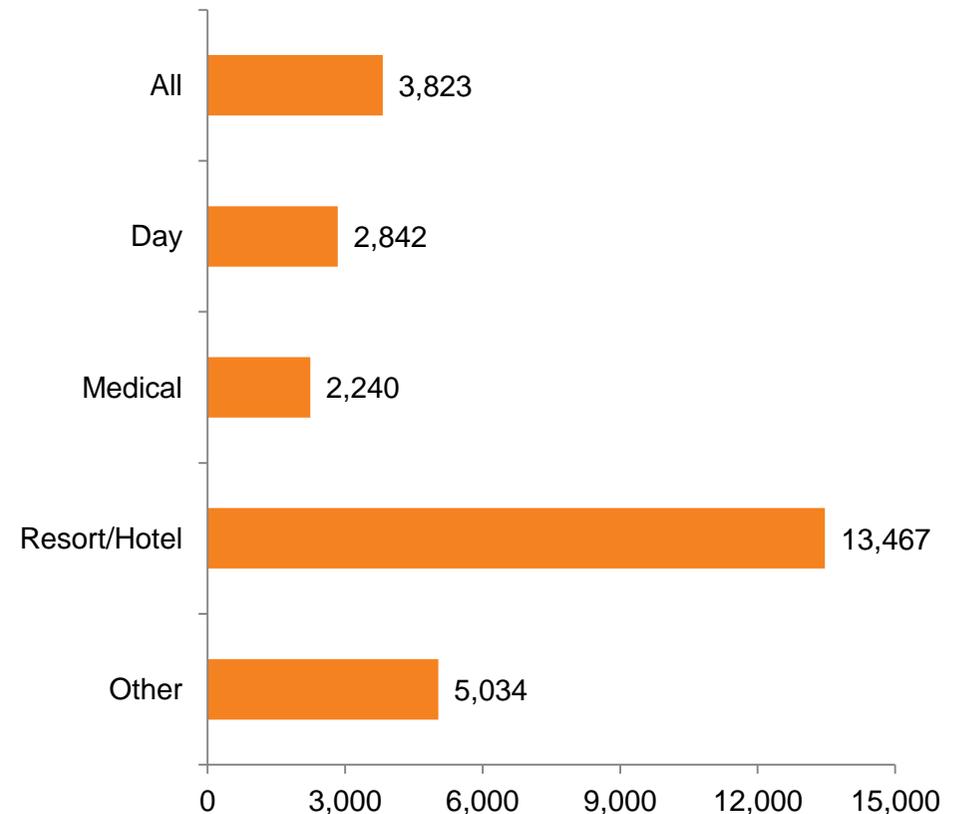
Section 4: Introduction

This Section presents a picture of the 76 million square feet 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 are contained within the typical spa?

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.

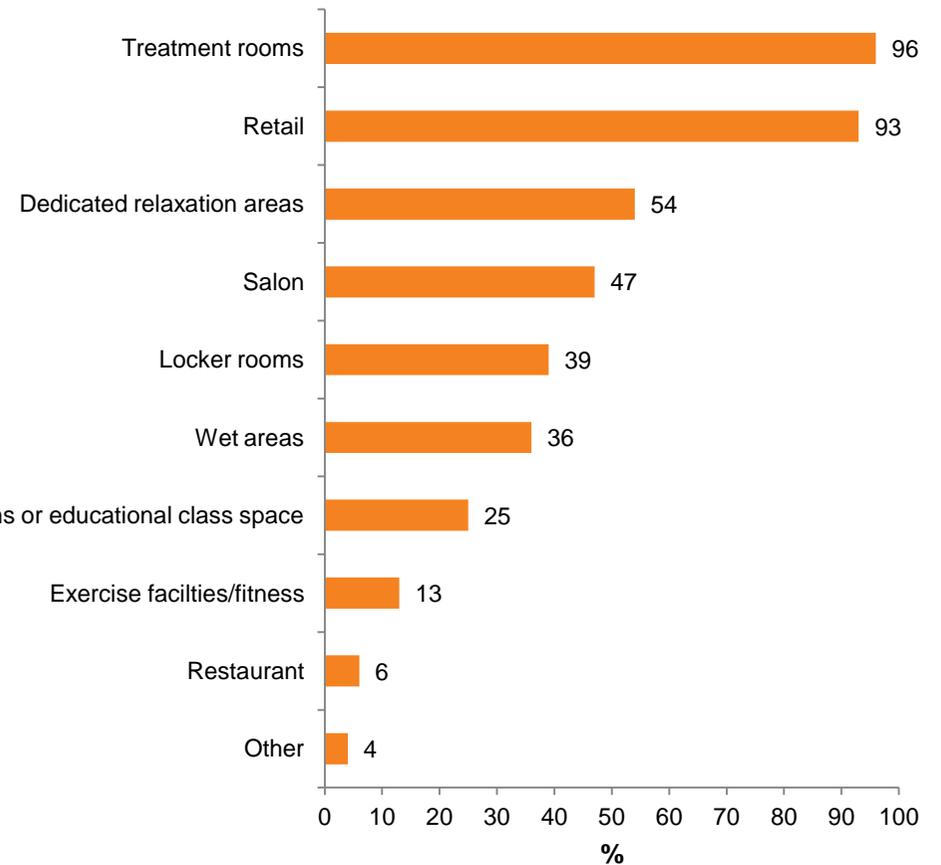
The table following this page shows the elements of indoor square footage by type of spa.

The average number of elements per spa is 4.1, almost identical to the average of 4.2 elements per spa in the 2010 Industry Study.

Reflecting their larger average floorspace, resort/hotel spas contain an average of 6 elements, almost 50% above the industry average.

Compared to the previous 2010 Industry Study, there are no major differences to note in relation to the distribution of elements of indoor square footage.

Elements of indoor square footage





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Indoor square footage: Elements by spa type

	All	Day	Medical	Resort/Hotel	Other
Treatment rooms	96%	96%	97%	98%	95%
Wet areas	36%	32%	16%	74%	57%
Exercise facilities/fitness	13%	5%	8%	64%	67%
Consultation rooms or educational classes	25%	20%	57%	22%	53%
Restaurant	6%	3%	4%	15%	47%
Retail	93%	93%	95%	97%	85%
Salon	47%	48%	19%	63%	53%
Dedicated relaxation areas	54%	51%	40%	82%	70%
Locker rooms	39%	34%	23%	82%	78%
Other	4%	4%	8%	3%	3%
All	100%	100%	100%	100%	100%
Average number of elements	4.1	3.9	3.7	6.0	6.1



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Treatment rooms: Spa treatments

The most frequently occurring spa treatment rooms are massage only, skin care only and multi-purpose rooms.

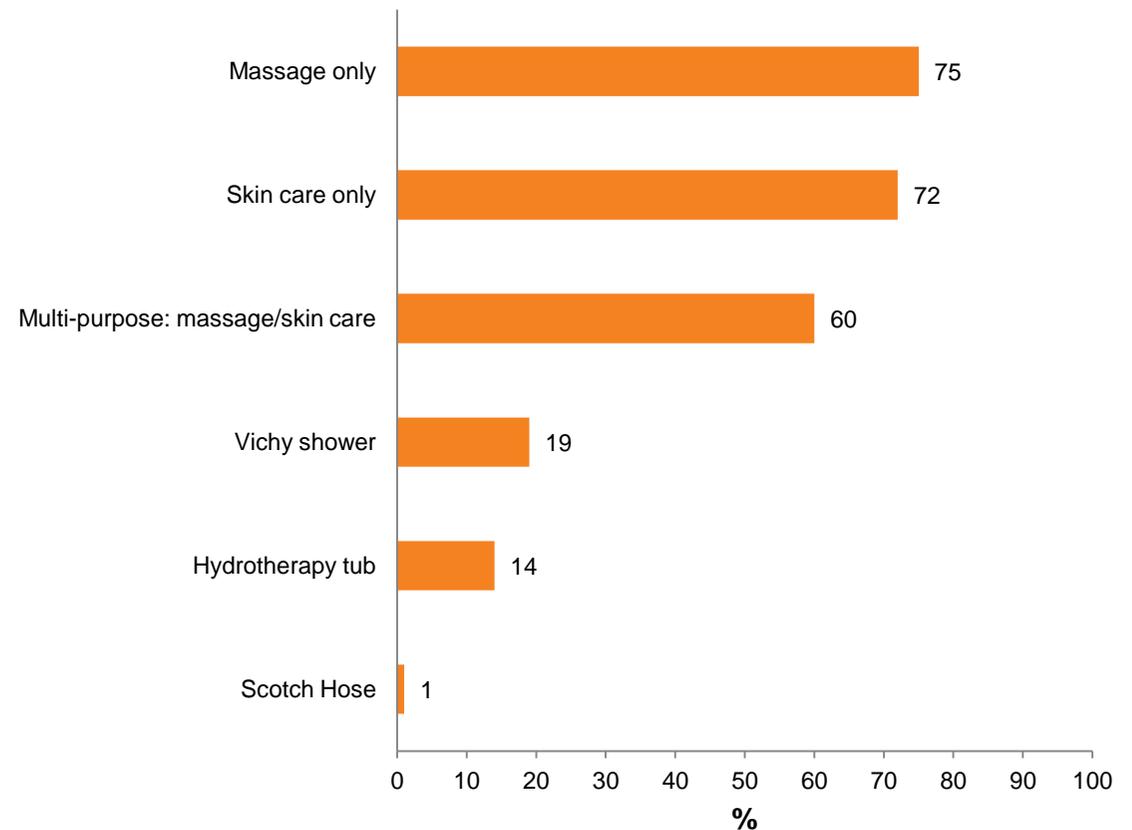
Three in four spas (75%) said they have massage only treatment rooms. This represents a 7.4 percentage points increase compared to the 2010 Industry Study.

Skin care only rooms are found in 72% of spas. There was little variation by type of spa in the frequency of such rooms.

Multi-purpose rooms are available in 60% of spas. Again, the proportion does not vary greatly by spa type.

Compared to other types of spas, resort/hotel spas are much more likely to contain Vichy showers (38%) and hydrotherapy tubs (33%).

Spa treatment rooms





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Treatment rooms: Specialty treatments

Among spas containing specialty treatment rooms, couples rooms/suites are the most popular (36%).

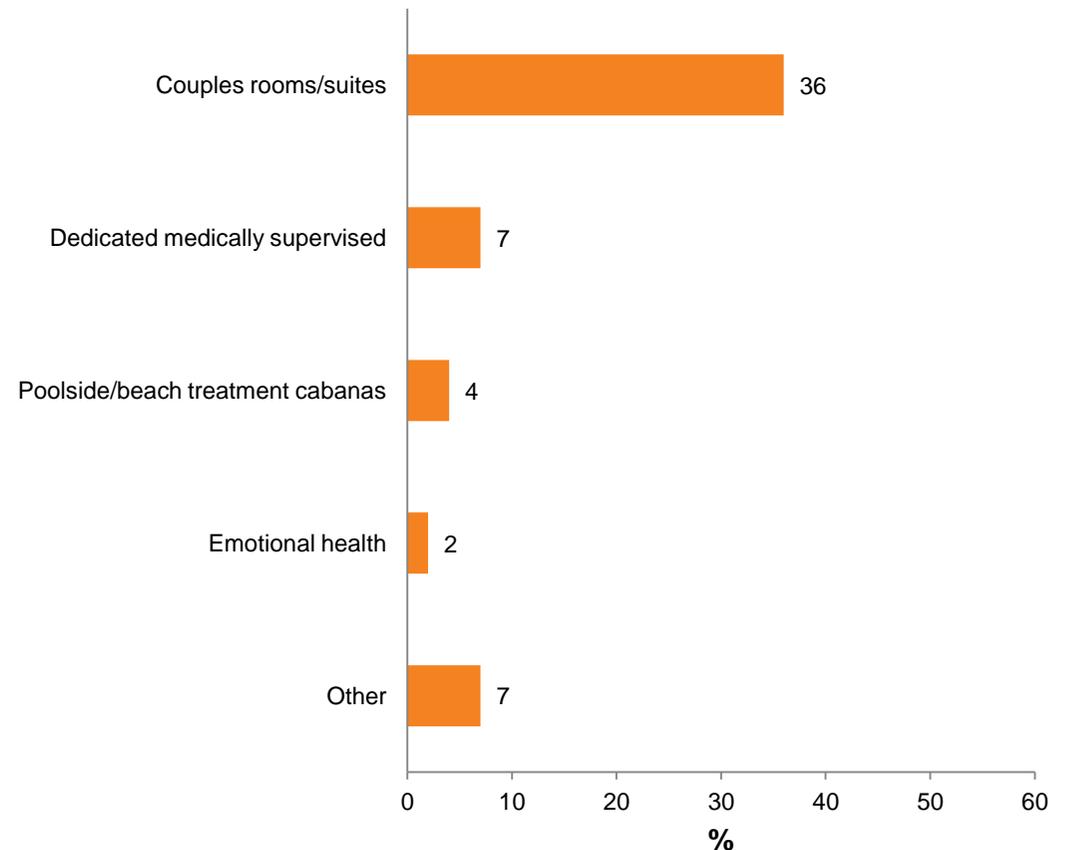
Couples rooms/suites are most often found in resort/hotel spas (77%), followed by day spas (32%) medical spas (26%) and the other spa category (26%).

Dedicated medically supervised rooms are most frequently found in medical spas (47%). Fewer than 3% of other spa types contain such rooms.

Poolside/beach treatment cabanas are most often found in resort/hotel spas (19%).

Consequently, the proportion of spas saying they contain one or more specialty treatment rooms (45%) is 9 percentage points lower than the 54% saying they contained one or more such rooms in the 2010 Industry Study.

Specialty treatment rooms





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Number of rooms

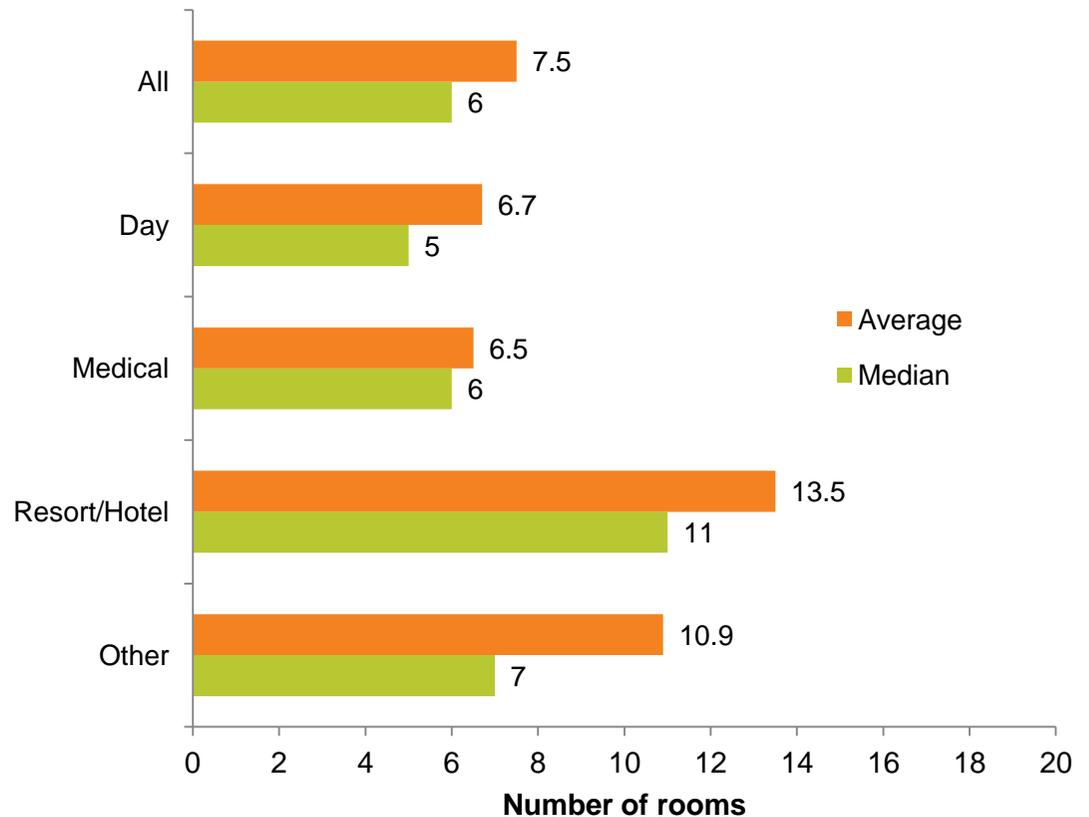
On average, spas contain 7.5 total treatment rooms, ranging from 6.5 per medical spa to 13.5 per resort/hotel spa.

The median number of treatment rooms (including both spa and specialty) is six; that is, one in two spas contain more than six rooms with the remainder containing fewer than six.

Across all spas, the average number of spa treatment rooms is 6.6, ranging from 5.1 in medical spas to 11.3 in resort/hotel spas.

Among the 45% of spas with specialty treatment rooms, the average number of such rooms is 1.9, ranging from 1.6 per day spa to 2.6 per medical spa and 2.7 per resort/hotel spa.

Average number of treatment rooms (includes specialty rooms)





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Salon services: Stations

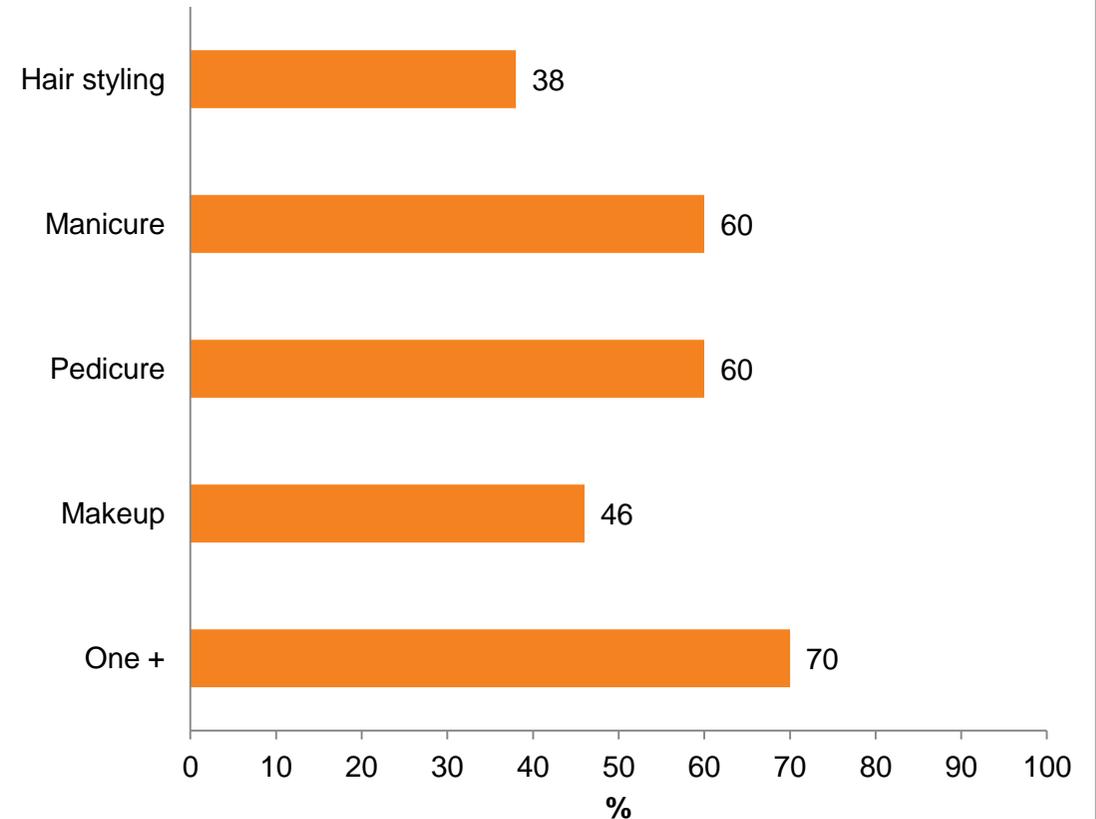
Salon service stations are contained within 70% of spas, most frequently for manicures and pedicures (60% each).

Within spas containing one or more salon service stations, the proportion of day spas saying they contain a hair styling station was 38%, ranging from 56% of resort/hotel spas to 21% of medical spas.

Manicure and pedicure service stations are most often found in resort/hotel spas (88%), followed by the other spa category (70%) and day spas (60%). One in three medical spas said they contain such stations.

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

Salon services stations





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Number of salon service stations

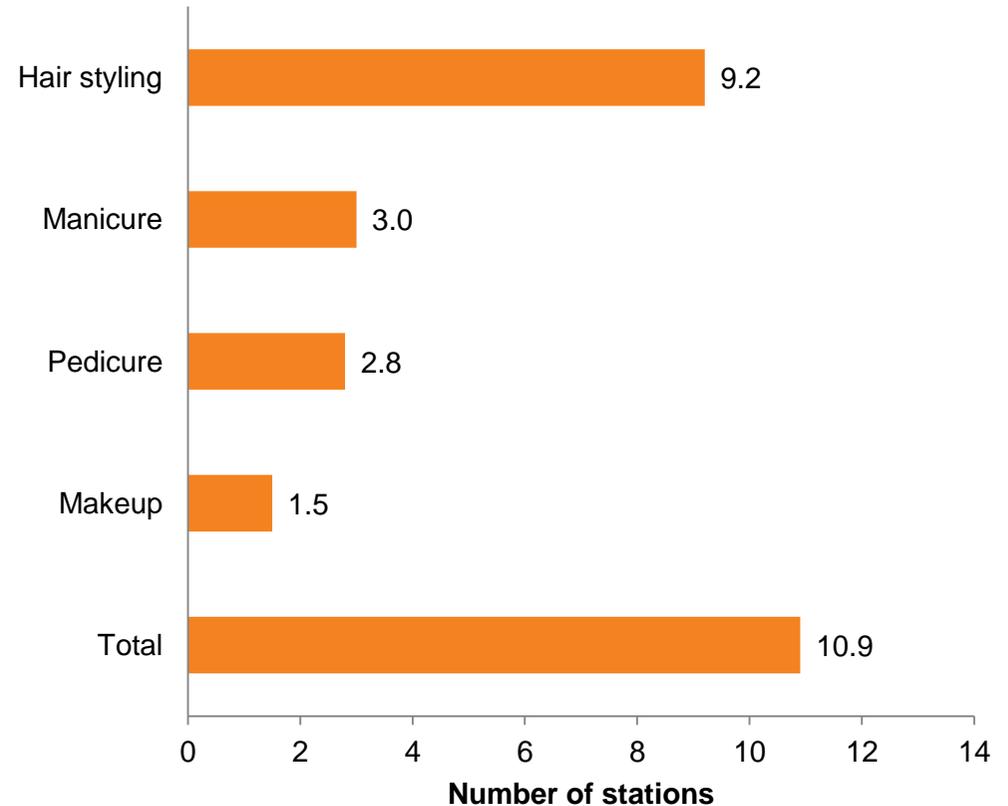
Among the 70% of spas containing salon service stations, the average number of stations was 10.9.

In the 38% of spas where they are to be found, the average number of hair styling stations is 9.2. The average is highest among day spas (10.4 stations) and lowest in resort/hotel spas (3.3).

In the 60% of spas containing such elements, there are typically three manicure and pedicure stations. The average varies little by type of spa.

In the 69% of day spas containing one or more salon service stations, the average number of stations is 11.7. The comparable figure for resort/hotel spas is 8.6. Neither average differs greatly from the 2010 Industry Study.

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





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Grand total of spa/salon revenue stations

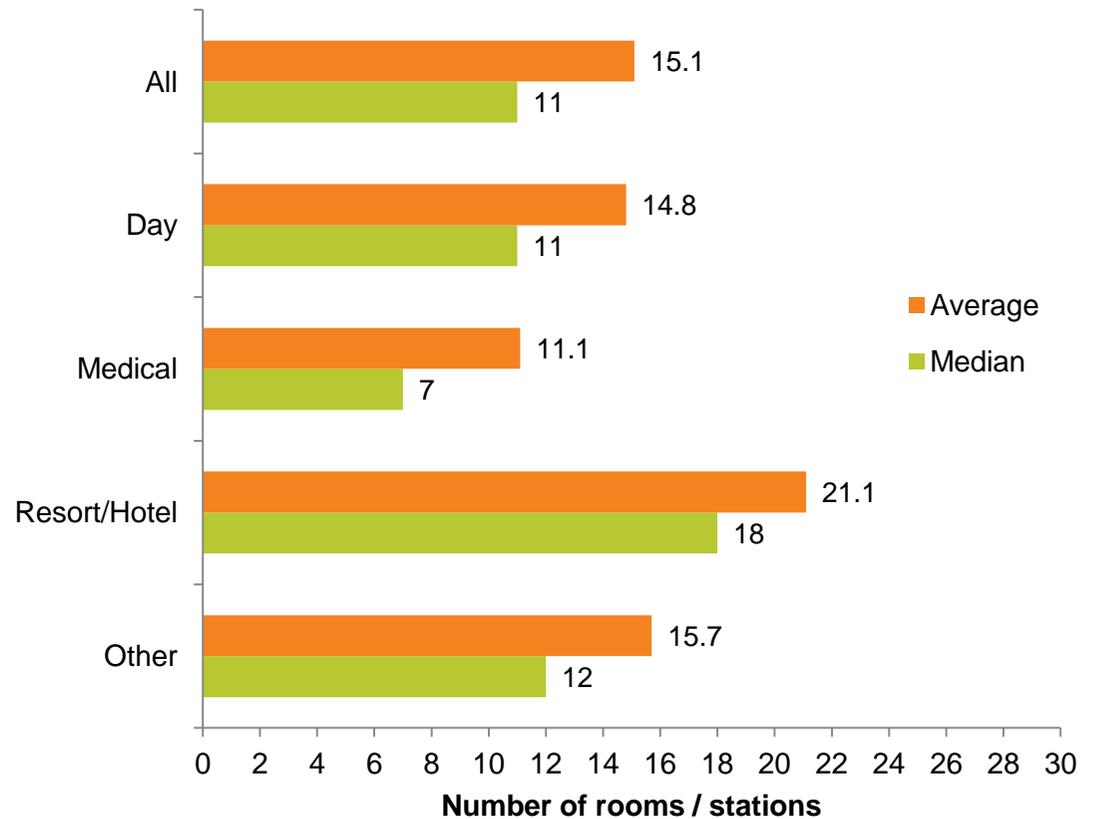
Across all spas, the average number of spa/salon revenue stations is 15.1, ranging from 11.1 in medical spas to 21.1 in resort/hotel spas. The median number of treatment rooms and salon stations is 11.

When compared with the findings from the 2010 Industry Study, the average number of salon revenue stations for day spas and resort/hotel spas show little change.

The average for medical spas shows an increase from 7.8 in the 2010 Industry Study to 11.1 in the 2011 Industry Study. Reflecting the size of the sample of medical spas, the difference is only marginally significant in statistical terms.

As measured by the median, the typical day spa contains 11 treatment rooms and salon revenue stations. This compares with seven in the medical spa sector and 18 in resort/hotel spas.

Total spa/salon revenue stations: average number





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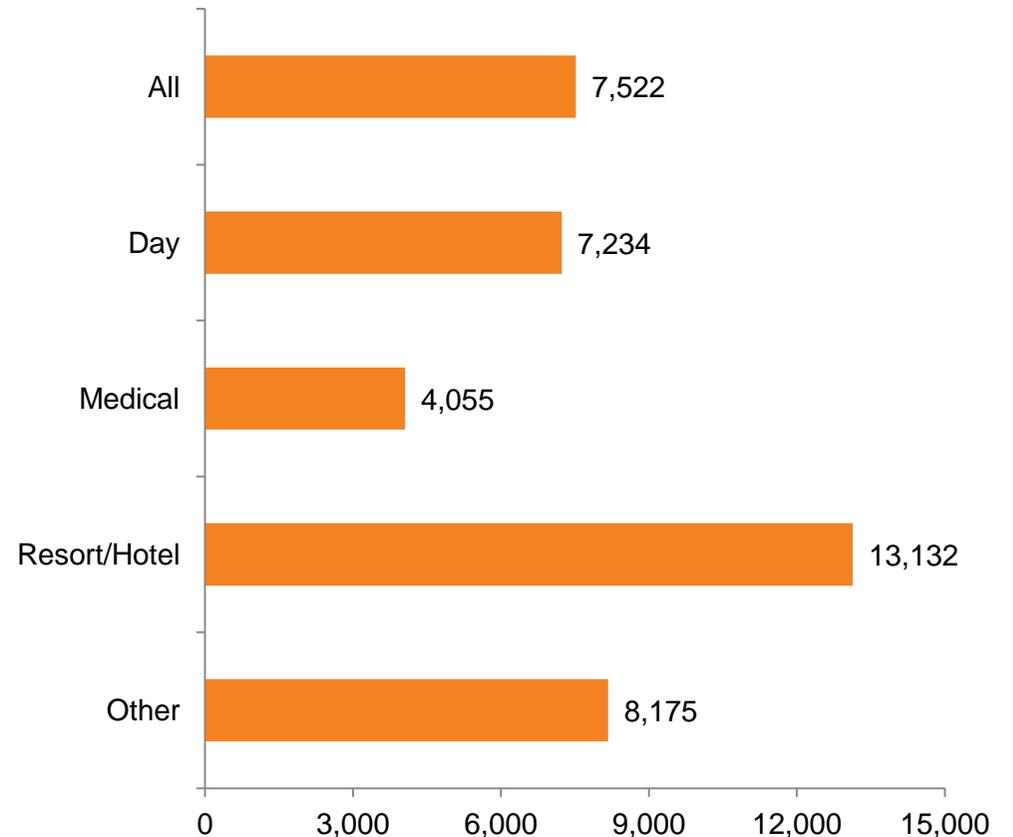
Section 5: Introduction

In 2010, spas received an estimated 150 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





Types of services offered

The main services provided by spas are **skin care services (94%), massage services (88%), body services (80%) and salon services (66%).**

The frequency with which spas offer the services listed in the accompanying chart shows no significant differences from the 2010 Industry Study.

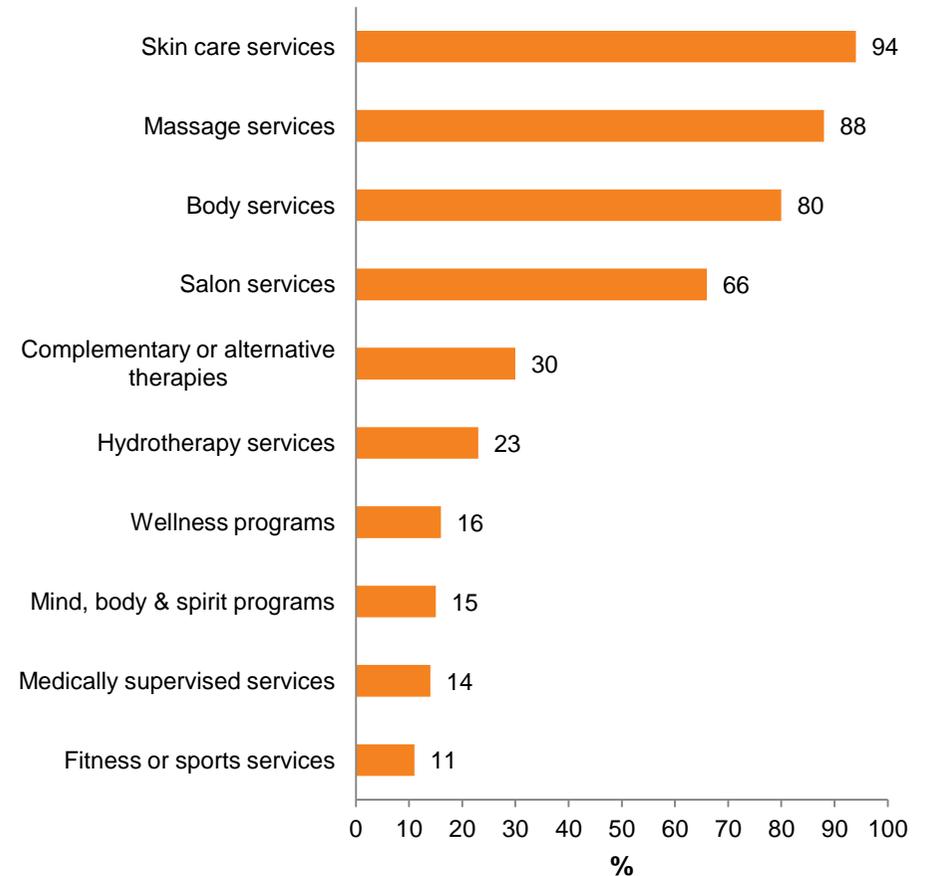
The variations by spa type in services offered are shown in the following page (page 61).

In the 2010 Industry Study, body and skin care services were combined into one category. In the 2011 Industry Study 96% of spas said they offer either body or skin care services, not greatly different from the 94% reported in the 2010 Industry Study.

On average, spas offer 4.4 of the services listed in the accompanying chart.

When body and skin care services are combined, the average reduces to 3.6 services per spa, identical to the comparable per spa average in the 2010 Industry Study.

Types of services offered



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Product offering: Core spa services

	Day	Medical	Resort/Hotel	Other
Massage services	88%	70%	100%	97%
Hydrotherapy services	22%	7%	41%	33%
Body services	79%	60%	99%	93%
Skin care services	93%	95%	97%	98%
Salon services	66%	44%	82%	68%
Complementary or alternative therapies	30%	28%	32%	42%
Mind, body & spirit programs	10%	7%	51%	63%
Wellness programs	13%	25%	20%	56%
Fitness or sports services	4%	7%	57%	60%
Medically supervised services	8%	86%	2%	8%
All	100%	100%	100%	100%
Average number of services	4.1	4.3	5.8	6.2

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Massage treatments offered

On average, spas offer seven different types of massage treatments.

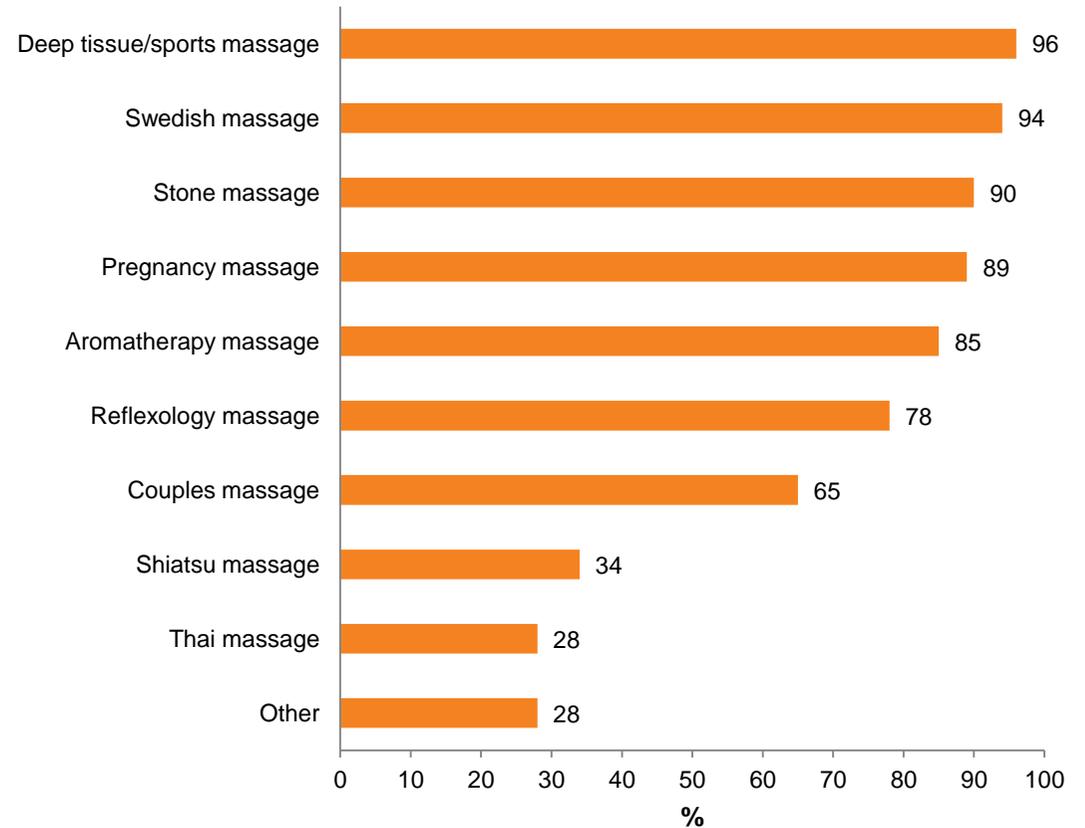
Among the 86% of spas that offer massage treatments, there is little variation by type of spa in the number of treatments.

Day spas offer an average of seven treatments from the ten listed in the accompanying chart.

Resort/hotel spas tend to offer a slightly wider range, with an average of eight per spa.

The frequency with which individual massage treatments are offered does not differ greatly from the 2010 Industry Study.

Massage treatments offered



Base: Spas offering massage treatments



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Treatments offered

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

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

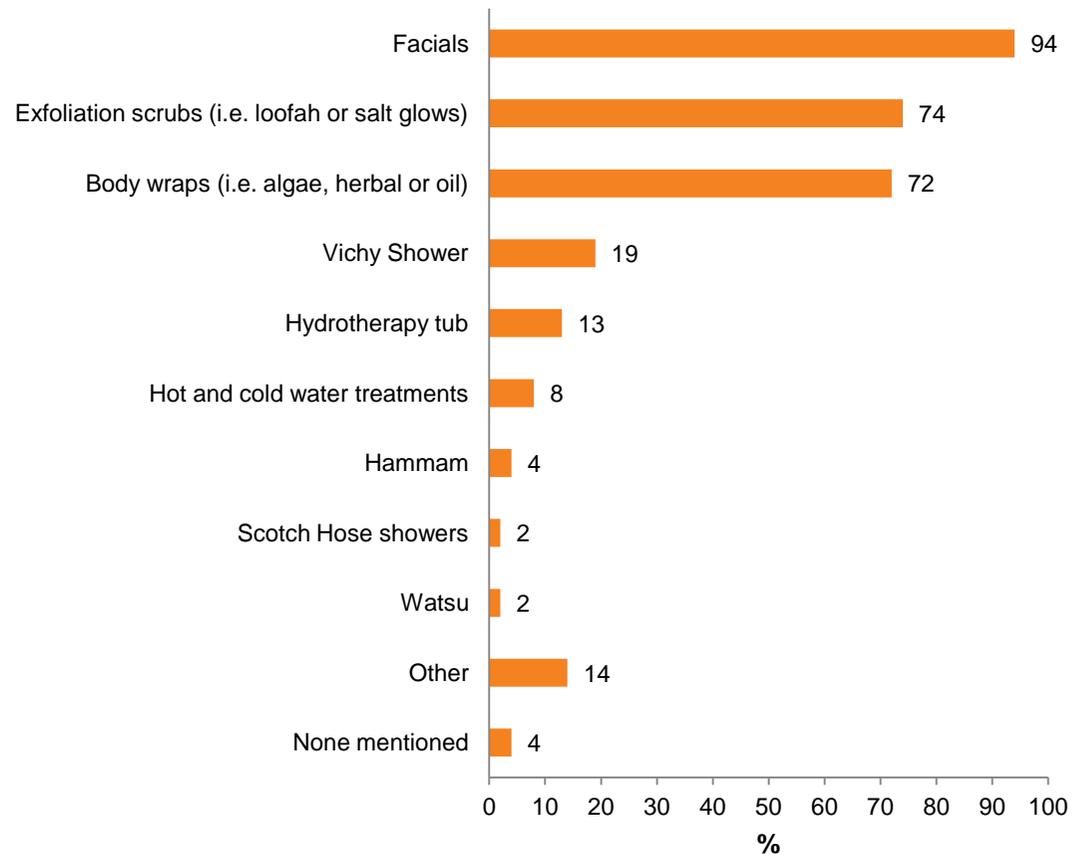
Resort/hotel spas tend to offer the widest range of treatments, four on average. Partly, this reflects a higher incidence of such spas offering scrubs (96%) and wraps (94%), when compared with the average for all spas.

Compared to other spas, medical spas are as likely to offer facials (95%) but less likely to provide scrubs (56%) or wraps (44%).

The findings reported above are very comparable to the results of the 2010 Industry Study.

Base: All spas

Treatments offered





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Salon services

Almost two in three spas (66%) offer salon services. The most frequently offered services remain waxing (97%), pedicure (85%) and manicure (84%).

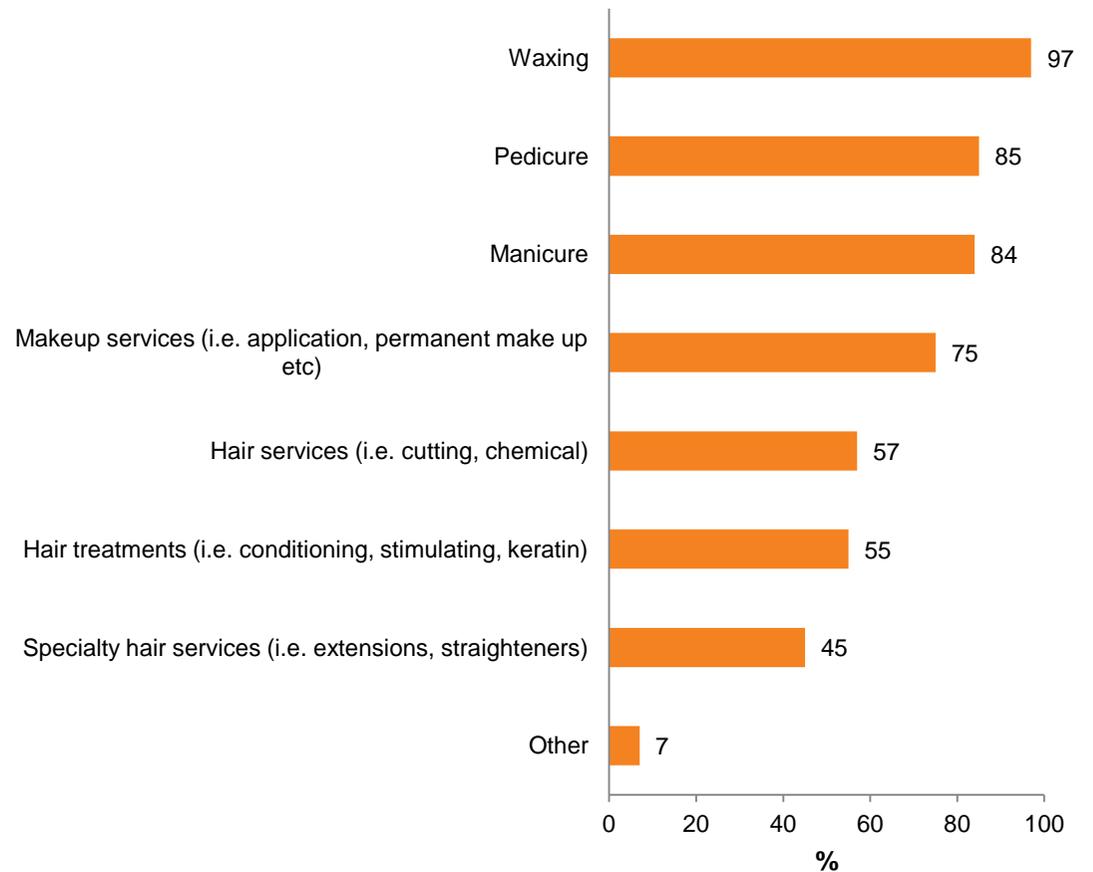
On average, spas offering salon services provide five of the services listed in the accompanying chart, identical to the average reported in the 2010 Industry Study.

Four in five resort/hotel spas (82%) offer salon services. Virtually all of those spas (99%) include manicures and pedicures in their offerings to clients.

Among day spas with salon services (66%), waxing is the most frequently provided service (97%), followed by manicure and pedicure (84%).

Base: Spas offering salon services

Salon services





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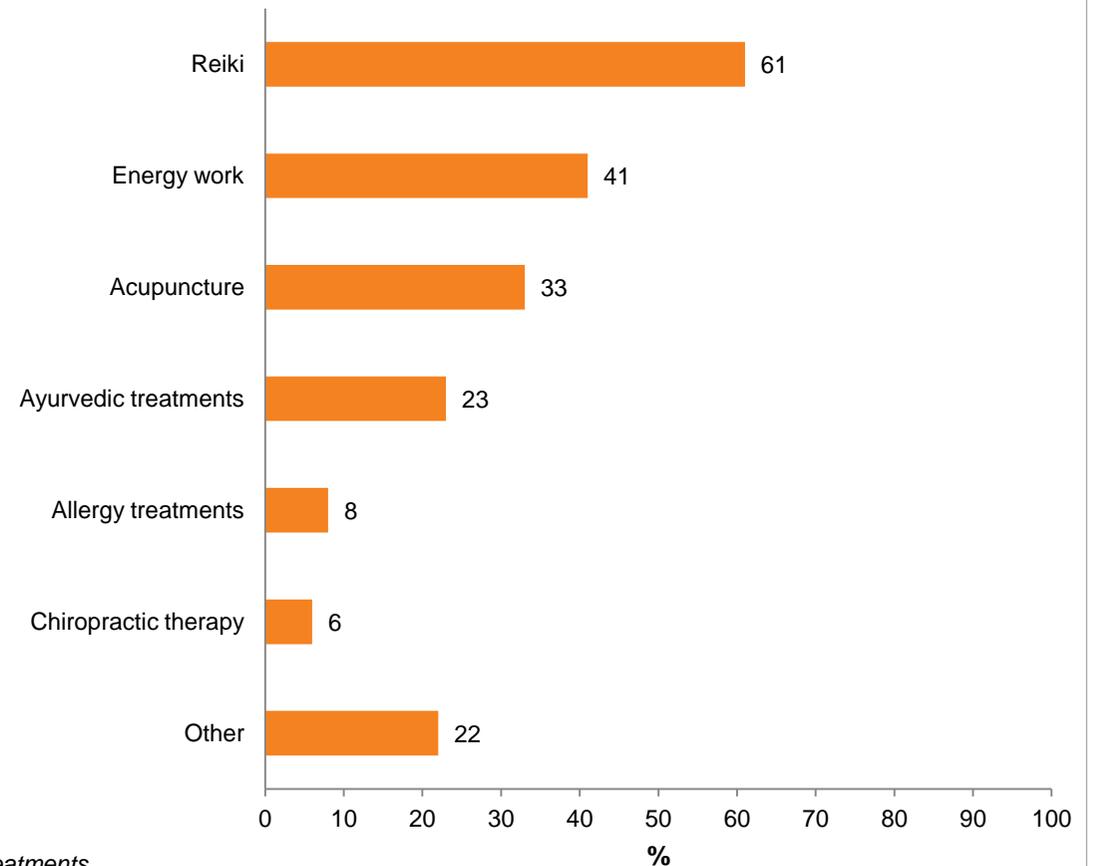
Complementary or alternative treatments

Among the 30% of spas offering complementary or alternative treatments, the average number of therapies offered is 1.9. This does not vary greatly by spa type.

As in the 2010 Industry Study, Reiki and energy work remain the two most commonly offered treatments. However, the proportions saying they offer such services has reduced, from 74% to 61% for Reiki treatments and from 62% to 41% for energy work.

Conversely, the proportion of spas offering the miscellaneous other category of treatments almost doubled, from 12% in the 2010 Industry Study to 22% in the 2011 Industry Study.

Complementary or alternative treatments



Base: Spas offering complementary or alternative treatments



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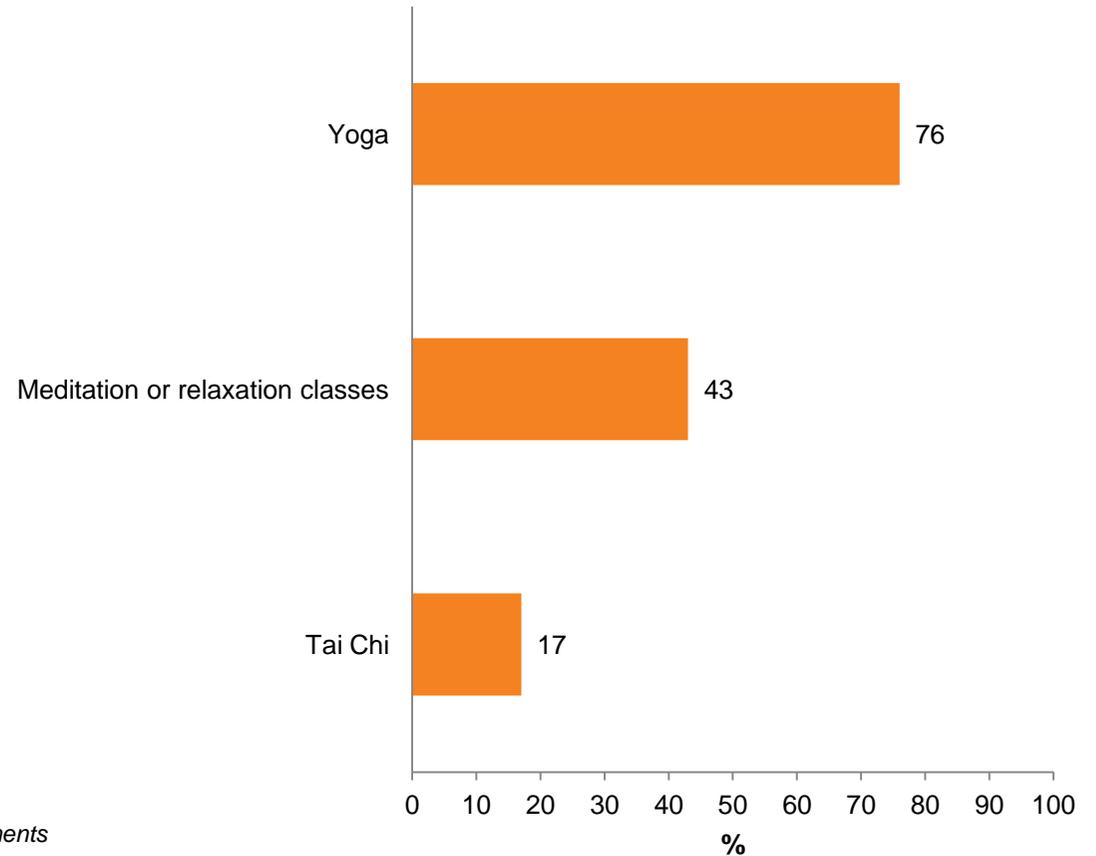
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Mind, body and spirit treatments

Similar to the 2010 Industry Study, mind, body and spirit treatments are offered by a relatively small proportion of spas (15%). However, one in two resort/hotel (51%) spas offer such treatments, as do 63% of the other spa category.

Yoga remains the most frequently offered mind, body and spirit treatment (76%) followed by meditation and relaxation classes (43%).

Mind, body and spirit treatments



Base: Spas offering mind, body and spirit treatments



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Wellness programs and workshops

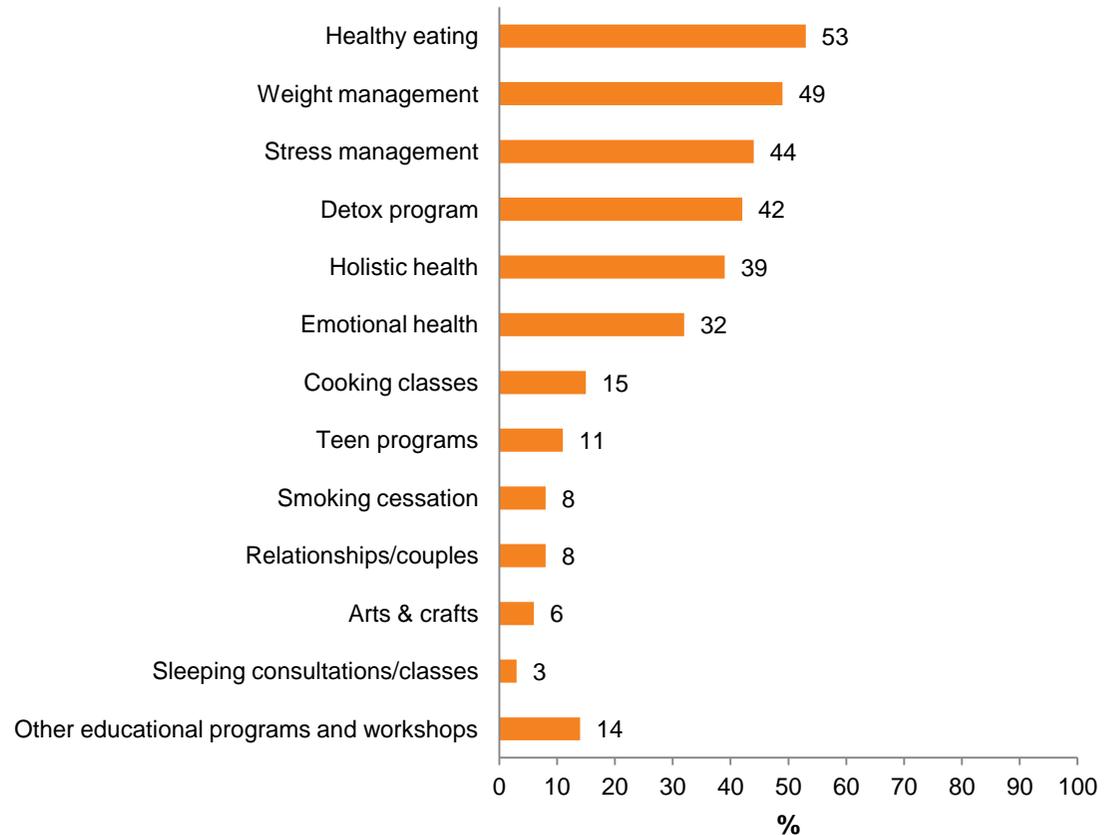
Wellness programs and workshops are offered by 16% of spas. Among those spas, healthy eating (53%) and weight management (49%) remain the most popular offerings.

When compared with the 2010 Industry Study results, there are some differences in the frequency with which spas said they offered the wellness programs listed in the accompanying chart. Bearing in mind the sample size of spas offering wellness programs, these differences are not large.

From the list shown in the accompanying chart, the average number of wellness programs offered by spas is 3.2, varying little by spa type.

Base: Spas offering wellness programs

Wellness programs and workshops





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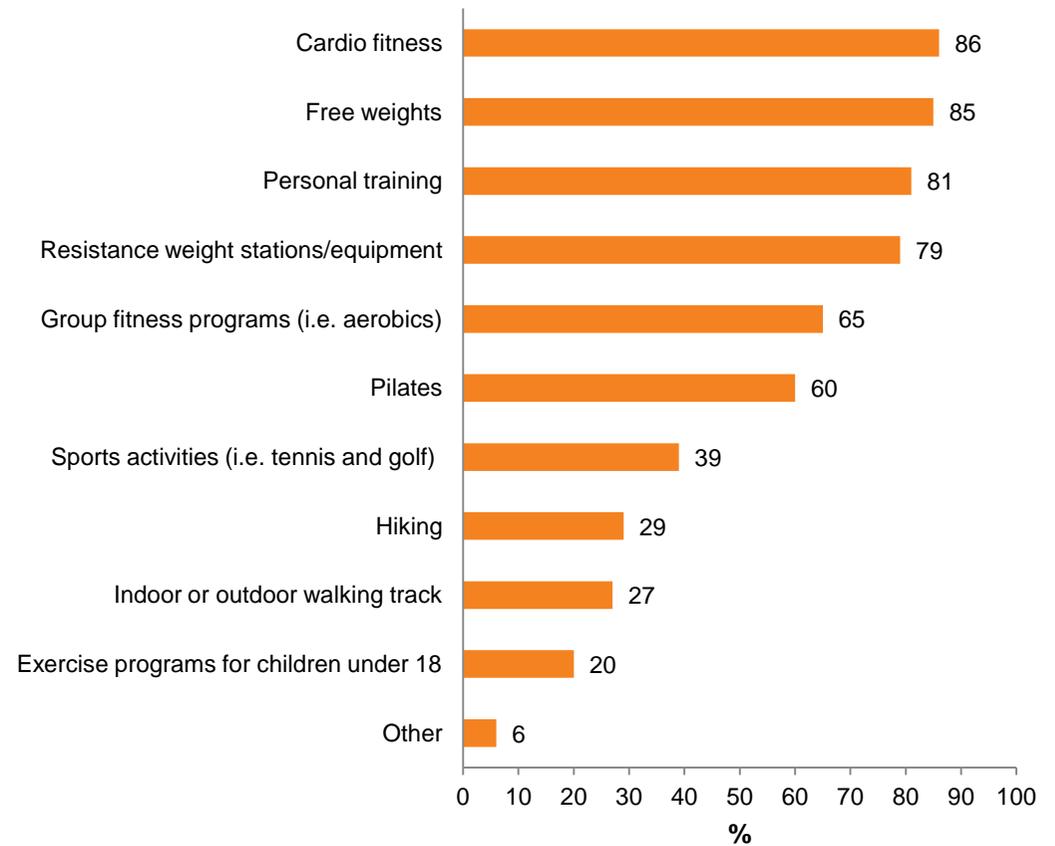
Fitness or sports services

Fitness or sports services are offered by 11% of spas; more frequently by resort/hotel spas (57%) and the other spa category (60%), which includes club spas and destination spas.

As can be seen in the accompanying chart, the top six services are each offered by a majority of the spas that offer fitness or sports services.

Spas offer an average of 5.8 fitness or sports activities from the list shown, little changed from the 5.5 per spa reported in the 2010 Industry Study.

Fitness or sports services



Base: Spas offering fitness or sports services



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Medical services

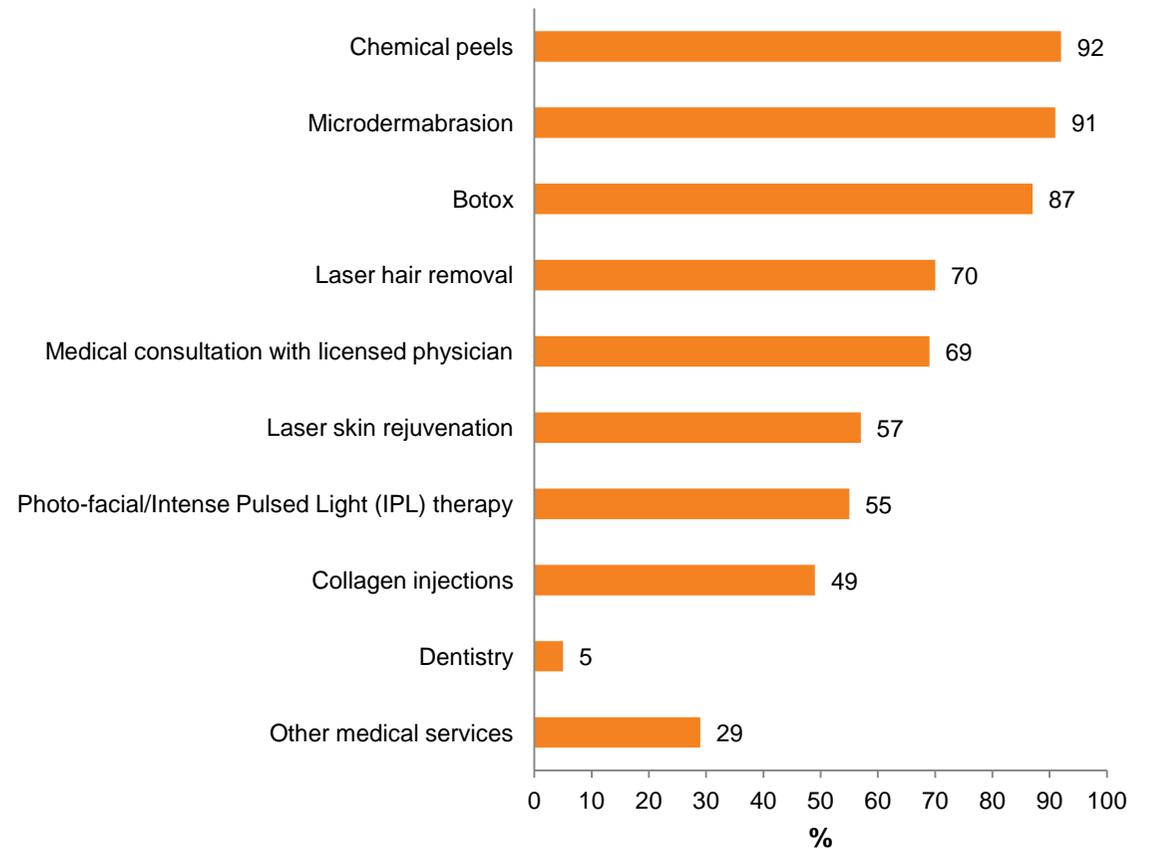
Medically supervised services are offered by 14% of all spas, primarily by medical spas (86%).

Among spas offering medical services, the most frequently available services are chemical peels (92%), microdermabrasion (91%) and Botox (87%).

The average number of medical services available from spas offering such services is 6.0, little changed from the findings reported in the 2010 Industry Study.

Base: Spas offering medical services

Medical services





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Retail: Products

Almost all spas (93%) contain a retail element within their facility.

Skin care products remain the single most frequently available retail product. Regardless of spa type, almost all spas with a retail element offer such products.

Apart from cosmetics, the availability of other products continues to vary with the type of spa. Large majorities of resort/hotel spas (77%) and spas in the other spa category (65%) offer apparel products.

Compared with the 2010 Industry Study, there are no major changes to be noted in the frequency with which spas offer the various retail products, both overall and by type of spa.

	All	Day	Medical	Resort/Hotel	Other
Apparel	28%	22%	6%	77%	65%
Skin care products	97%	96%	100%	99%	99%
Hair care products	52%	53%	22%	72%	44%
Cosmetics	64%	62%	65%	72%	69%
Nail care products	60%	60%	28%	81%	72%
Other	47%	49%	28%	49%	48%



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Section 6: Introduction

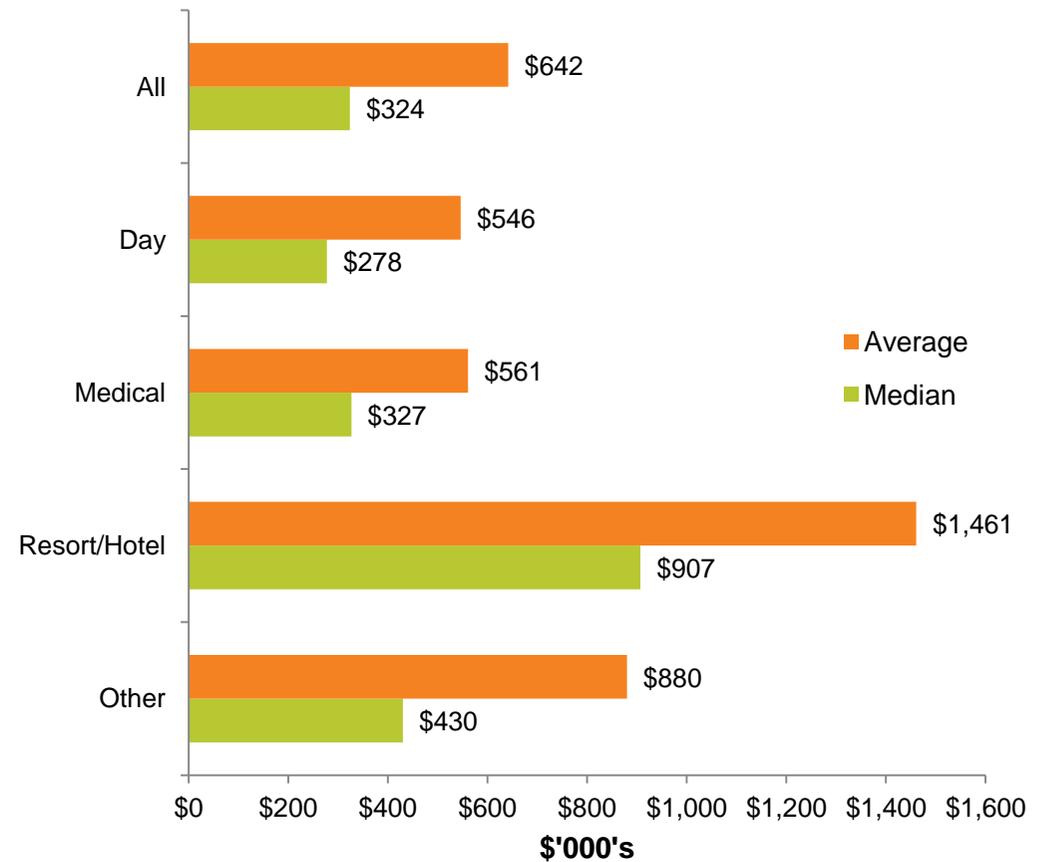
The revenues that spas generate depend on the number of treatments and services provided to clients and the prices that spas receive in return for providing those services*.

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

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

*Please refer to page 26 for information on prices.

Revenue per establishment





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Treatments and services provided

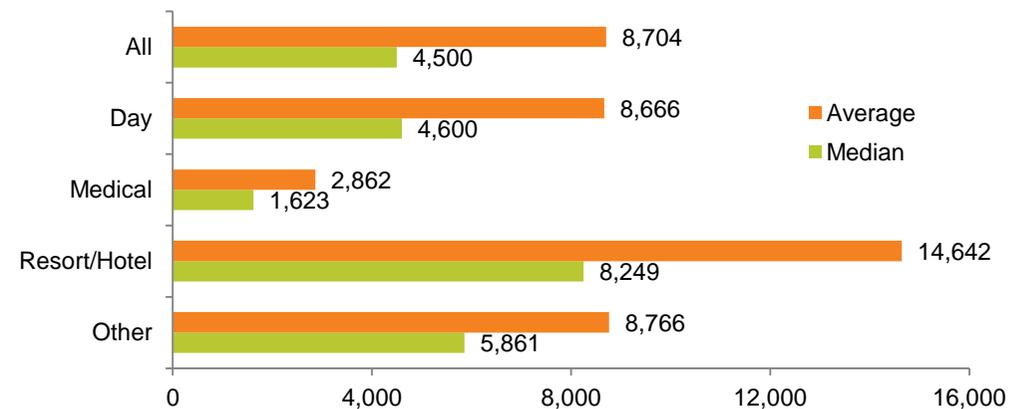
The main treatment revenue categories in spas comprise massage and bodywork, skin care, hair and nail.

When asked to say approximately how many treatments and services were provided in those categories in 2010, the average number quoted was 8,704. The 2010 out-turn represents a 6% increase on the 2009 average per spa.

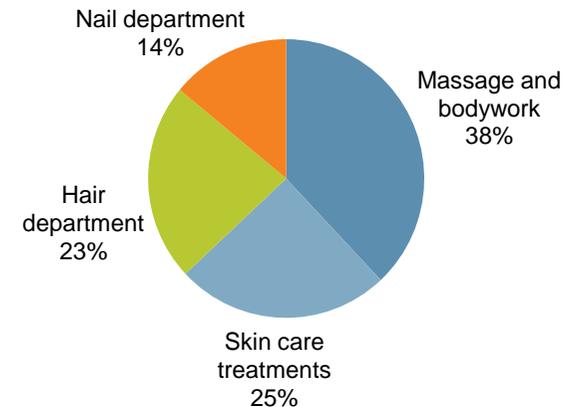
Average treatment numbers varied considerably by spa type, reflecting the differences in average visits by spa type discussed in Section 3.

Across the industry as a whole, massage and bodywork treatments accounted for 38% of all spa treatments and services in 2010. The composition of treatments and services in 2010 does not differ greatly from the picture in 2009.

Number of spa treatments and services provided in 2010



Treatments and services composition





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Spa revenue composition

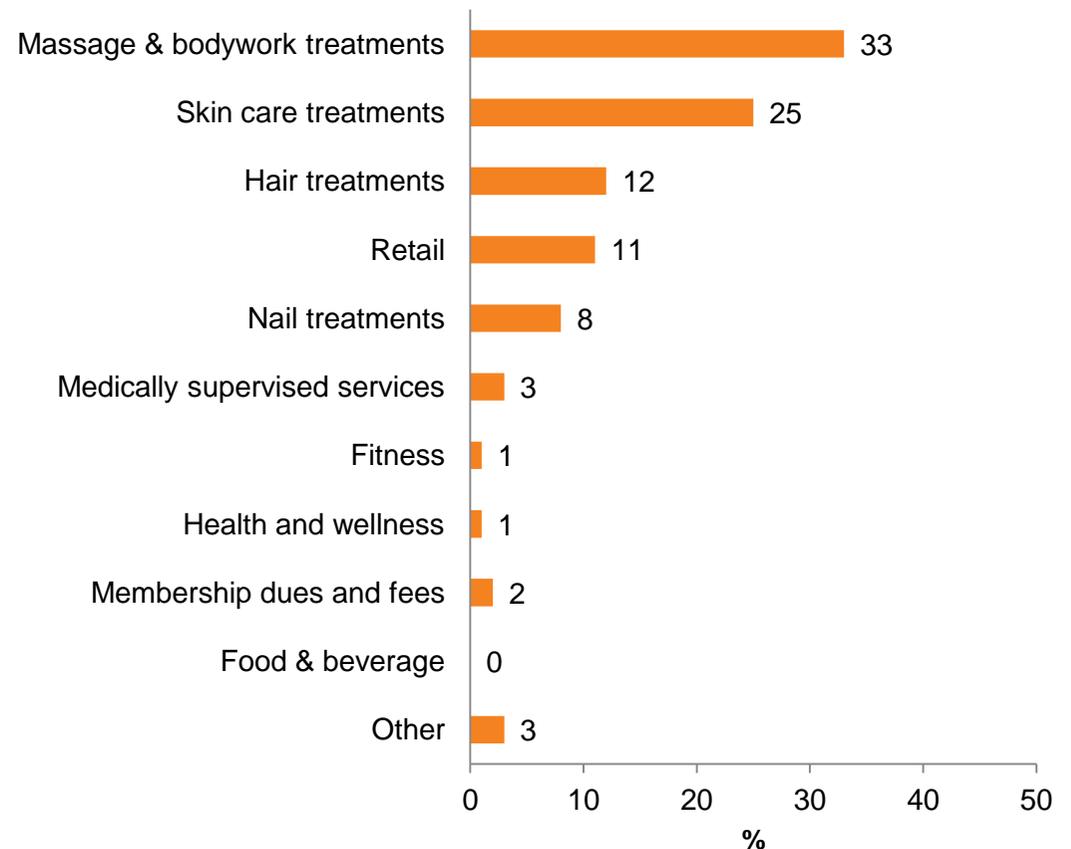
In combination, the four main spa treatment and service categories (massage and bodywork, skin care, hair and nail) account for 79% of total spa revenue.

On average, massage and bodywork treatments comprise one-third (33%) of total spa revenue. A quarter comes from skin care treatments.

The variations in spa revenue composition by type of spa are shown on the following page. Compared to the 2010 Industry Study, there are no major changes to note.

The day spa profile remains very similar to the average for all spas. Resort/hotel spas continue to obtain the bulk of their revenue (56%) from massage and bodywork treatments.

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	33%	33%	14%	56%	41%
Skin care treatments	25%	27%	30%	16%	15%
Hair treatments	12%	15%	6%	4%	5%
Nail treatments	8%	8%	2%	10%	7%
Fitness	1%	0%	1%	2%	8%
Food & beverage	0%	0%	0%	1%	2%
Health and wellness	1%	1%	2%	0%	1%
Medically supervised services	3%	0%	29%	0%	1%
Membership dues and fees	2%	1%	0%	1%	9%
Retail	11%	12%	14%	10%	9%
Other	3%	3%	2%	1%	2%
Total	100%	100%	100%	100%	100%

Note: Percentages are rounded so may not sum to 100%.





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Spa revenue composition

Combining the revenue proportions reported by spas with the total value of revenues generated in 2010 provides an indication of the current size of the market for the various treatments and services offered by spas.

With a 33% revenue share, the total value of massage and bodywork treatments is estimated at \$4.3 billion, followed by skin care treatments at \$3.2 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 kept 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	\$4,276	\$215
Skin care treatments	\$3,225	\$163
Hair treatments	\$1,596	\$80
Nail treatments	\$984	\$49
Fitness	\$101	\$5
Food & beverage	\$51	\$3
Health and wellness	\$122	\$6
Medically supervised services	\$371	\$19
Membership dues and fees	\$195	\$10
Retail	\$1,467	\$74
Other	\$373	\$19
All sources	\$12,789	\$642



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Composition of retail revenue

Retail accounts for 11% of total spa revenues, ranging from an estimated 10% for resort/hotel spas to 14% for medical spas.

Skin care products continue to account for the majority (57%) of retail spending by spa visitors. This is to be expected since almost all spas with a retail element offer such products. Hair care products account for a little under one-fifth (18%) of spa retail revenues, followed by cosmetics (9%).

According to the spas surveyed for this study, the average dollar value of retail purchases per guest was \$43 in 2010. The average value of purchases was unchanged from the average reported for 2009.

Composition of retail revenue

	All	Day	Medical	Resort/Hotel	Other
Apparel	4%	2%	1%	13%	16%
Skin care products	57%	55%	74%	57%	52%
Hair care products	18%	21%	7%	8%	7%
Cosmetics	9%	8%	12%	7%	13%
Nail care products	4%	4%	3%	6%	5%
Other	9%	10%	4%	9%	7%
All	100%	100%	100%	100%	100%

Average dollar value of retail purchases per guest

Average	\$43	\$37	\$90	\$43	n.a.
Median	\$25	\$25	\$60	\$30	n.a.

*Note: n.a. - sample size too small for average to be reported separately.
Base: spas with a retail element (93% of all spas)*



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- Employee benefits
- Human resource challenges
- Clients: Composition & promoting diversity
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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. Spas adopt a wide range of approaches in seeking to connect with people in the community and attract clients to their businesses.

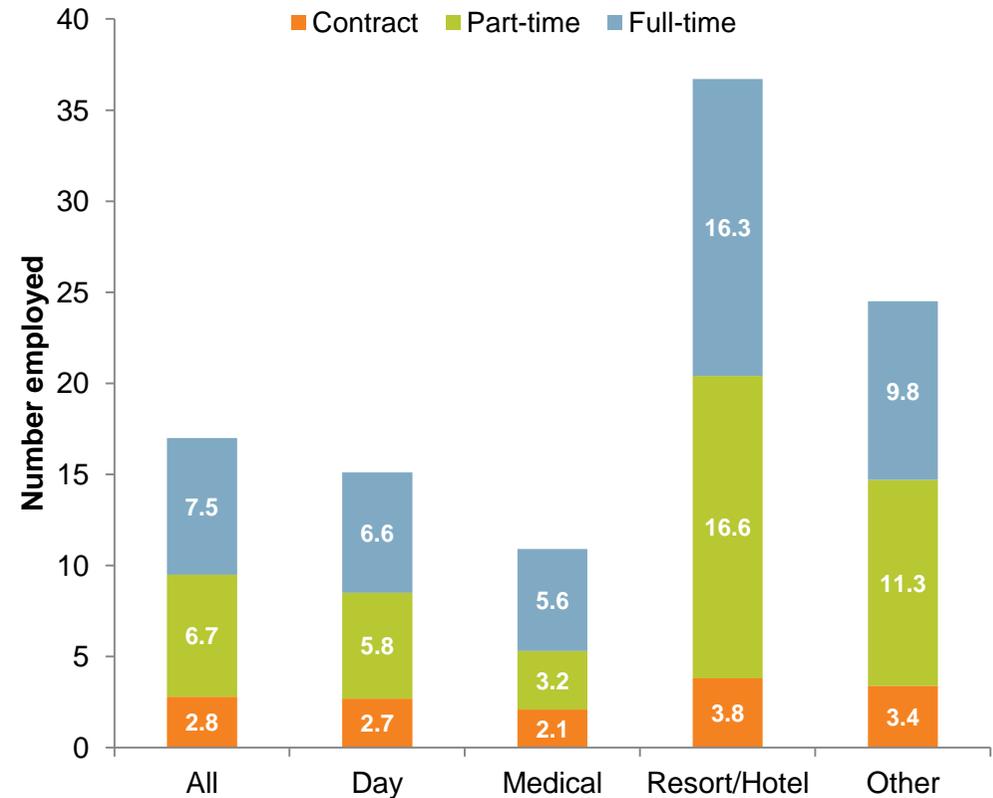
Ensuring a positive spa experience depends on having staff with the requisite skills and experience. The industry is also a significant employer, with over 338,000 people working in spas in spring 2011.

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 staffing trends in the recovery from recession can be found in Section 2 (pages 19 and 23).

Average employment per spa





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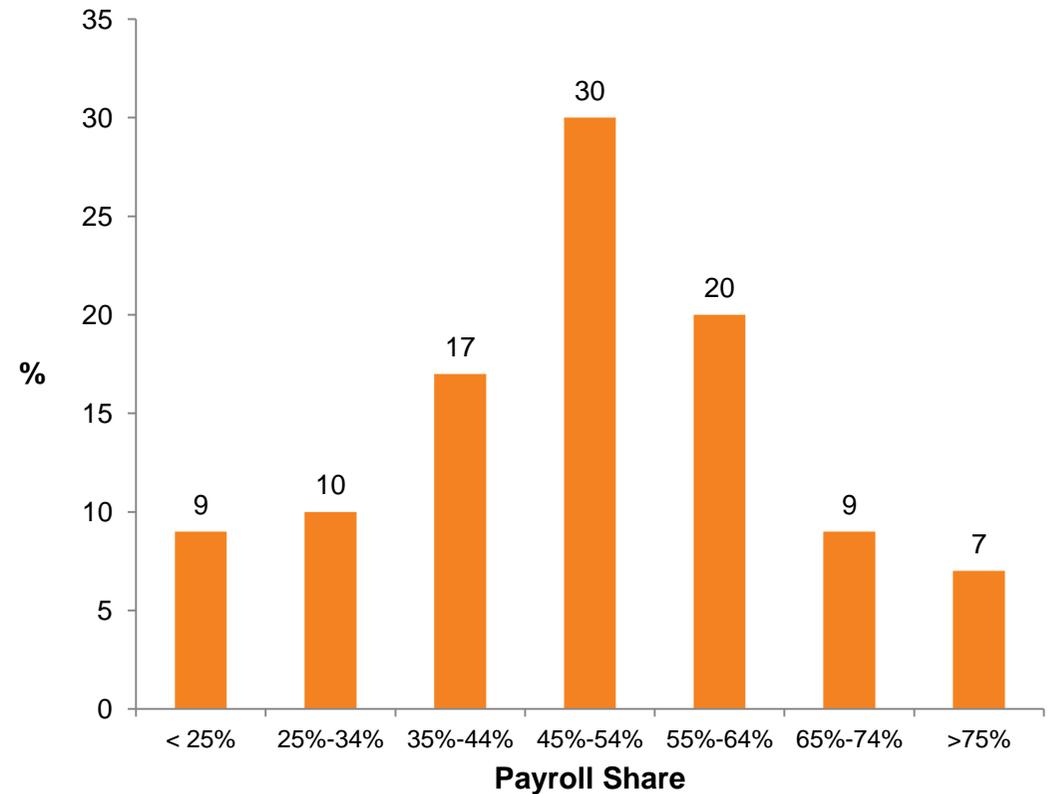
Payroll share of revenues

Reflecting the nature of the treatments and services provided, the spa industry is highly labor intensive. This is most directly seen in the labor costs share of revenues, averaging 48% according to the businesses surveyed for this study.

When set against the estimated \$12.8 billion of revenue generated by the spa industry in 2010, the payroll share of revenues translates into \$6.1 billion in wages and salaries paid to persons employed in the industry, either as employees or contractors.

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.

Labor costs: % of revenues*



*Includes employee costs (inclusive of payroll taxes and benefits) and contractor costs.



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Benefits provided to employees

Almost nine in ten spas (88%) provide one or more benefits to their employees.

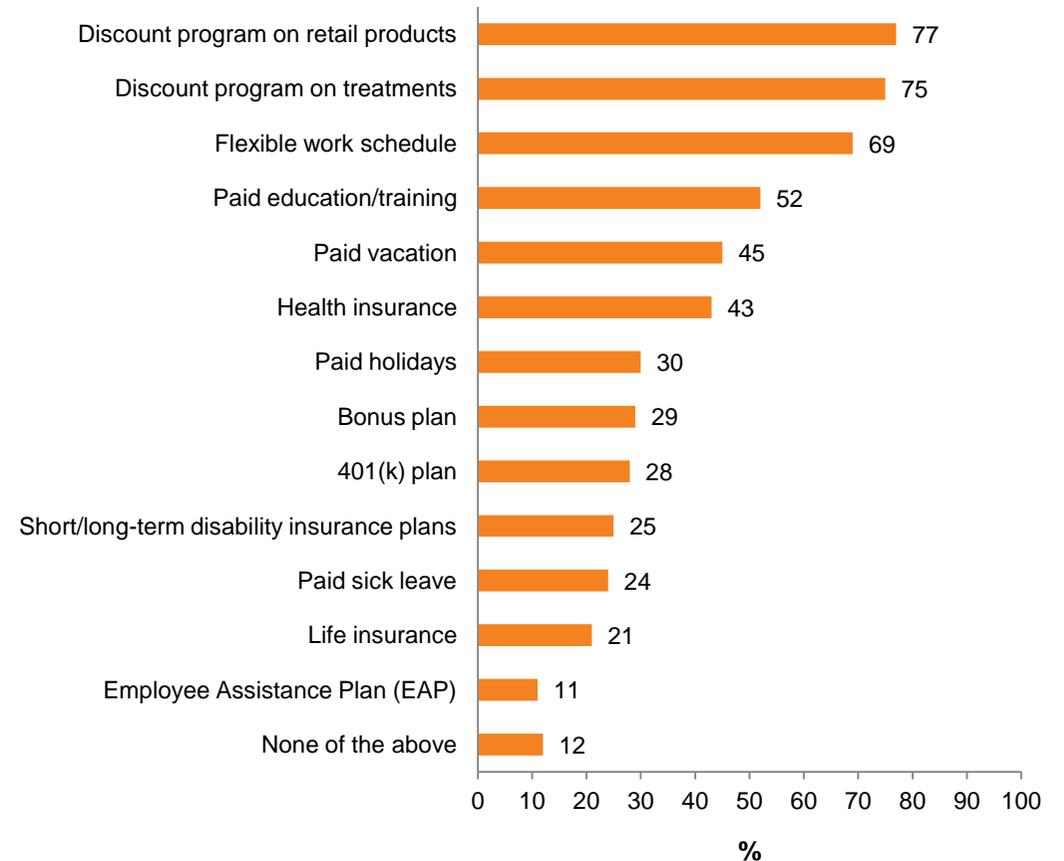
Virtually all resort/hotel spas (99%) and spas in the other spa category provide benefits. The day spa (86%) and medical spa (85%) sectors are in line with the industry average.

Similar to the 2010 Industry Study, the most frequently cited benefits provided to staff comprise discount programs and flexible work schedules.

The main changes compared to the 2010 Industry Study are a reduction in the provision of 401(k) plans (-5.3 percentage points) and disability insurance (-5.6 percentage points).

Resort/hotel spas continue to provide a wider range of benefits; on average, nine of the 13 benefits listed in the accompanying chart. Day and medical spas provide an average of six of the benefits listed.

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 (42%) and improving staff morale (41%).

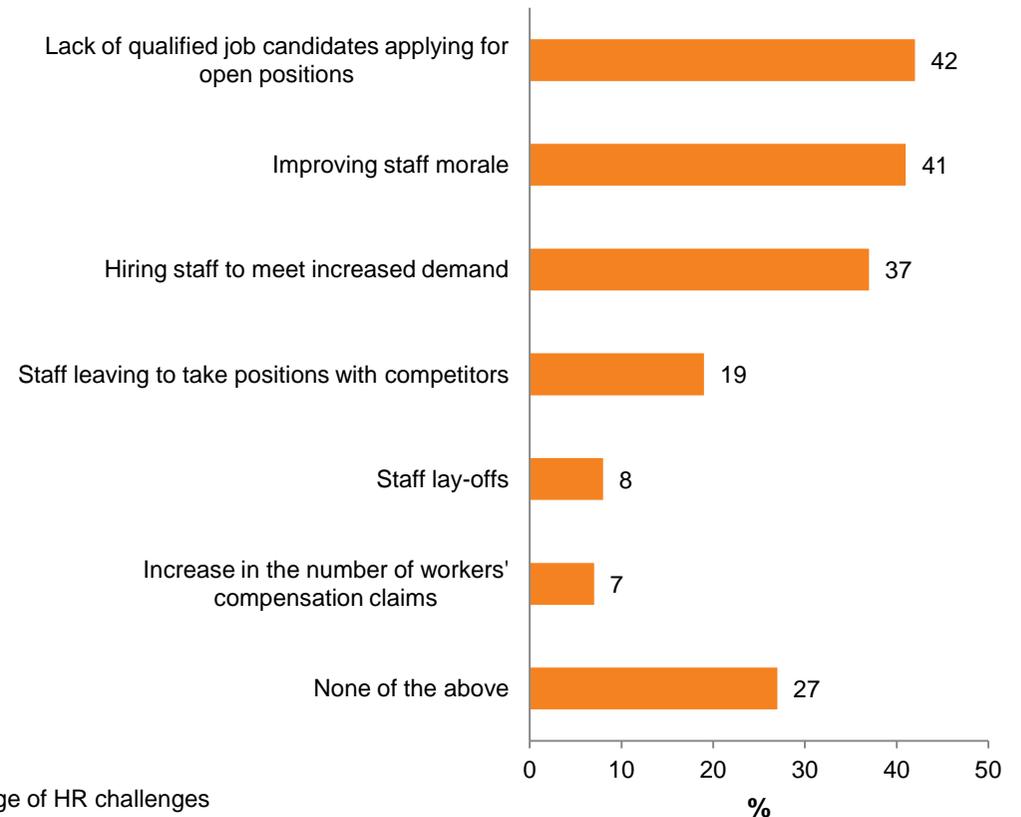
The proportion of spas citing a lack of qualified job candidates varied from 32% of medical spas to 47% of resort/hotel spas. Among day spas, 43% reported a challenge around lack of qualified candidates for open positions.

Improving staff morale was cited by 53% of resort/hotel spas. Hiring staff to meet increased demand was also mentioned most often by resort/hotel spas (50%).

A little over one in four spas (27%) said they had experienced none of the challenges listed in the accompanying chart. This implies that almost three in four spas were faced with one or more human resource challenges in 2010.

Note: Reflecting the changing economic context, the range of HR challenges about which spas were asked in the 2011 Industry Study differs from the 2010 Industry Study. Hence the responses are not strictly comparable.

Human resource challenges experienced within the past twelve months





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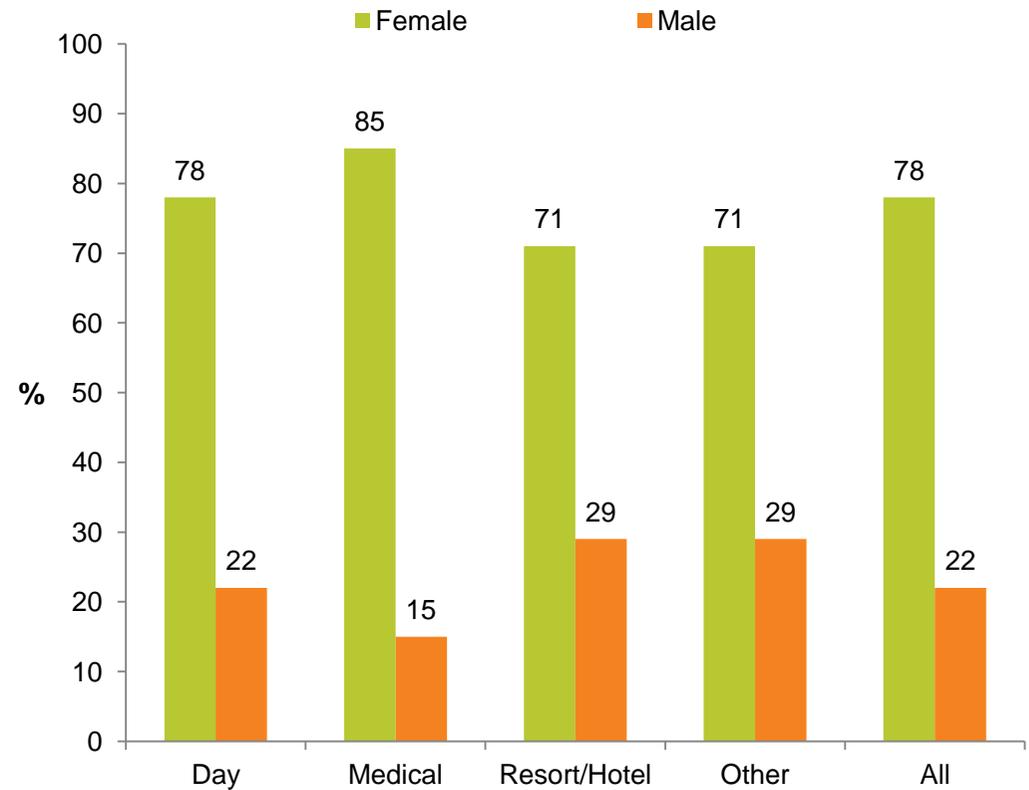
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Clients: The male-female split

The spa industry has traditionally served a predominantly female clientele. This remained the case in 2010, with a 78:22 split between female and male spa clients.

The female share of spa clients varies to a degree between different types of spa establishments, being highest in the medical (85%) and day (78%) sectors and lower in the resort/hotel (71%) and other (71%) categories.

Spa clients: The male-female split





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Expanding the client base and promoting diversity

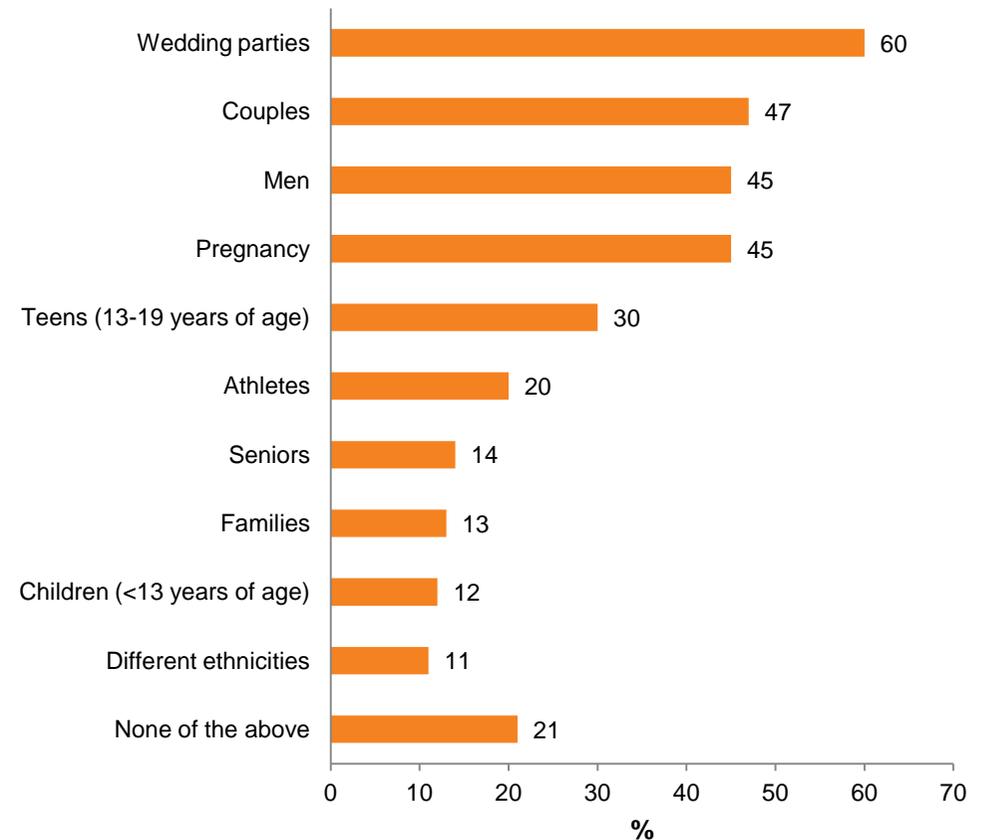
Spas continue to offer a range of packages targeted at specific client groups.

Wedding parties remain the most frequently mentioned target group for special promotional packages offered by spas. Six in 10 spas offer packages to wedding parties. Resort/hotel spas are most likely to offer such packages (78%).

Efforts to diversify the client base are also apparent. For example, 45% of spas are targeting a package at attracting more men. Again, resort/hotel spas are most active on that front, with 65% offering special packages targeted at men.

The proportion of spas offering one or more packages targeted at the groups listed in the accompanying chart is highest among resort/hotel spas (90%) and lowest among medical spas (62%).

Special packages





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Connecting with the local community

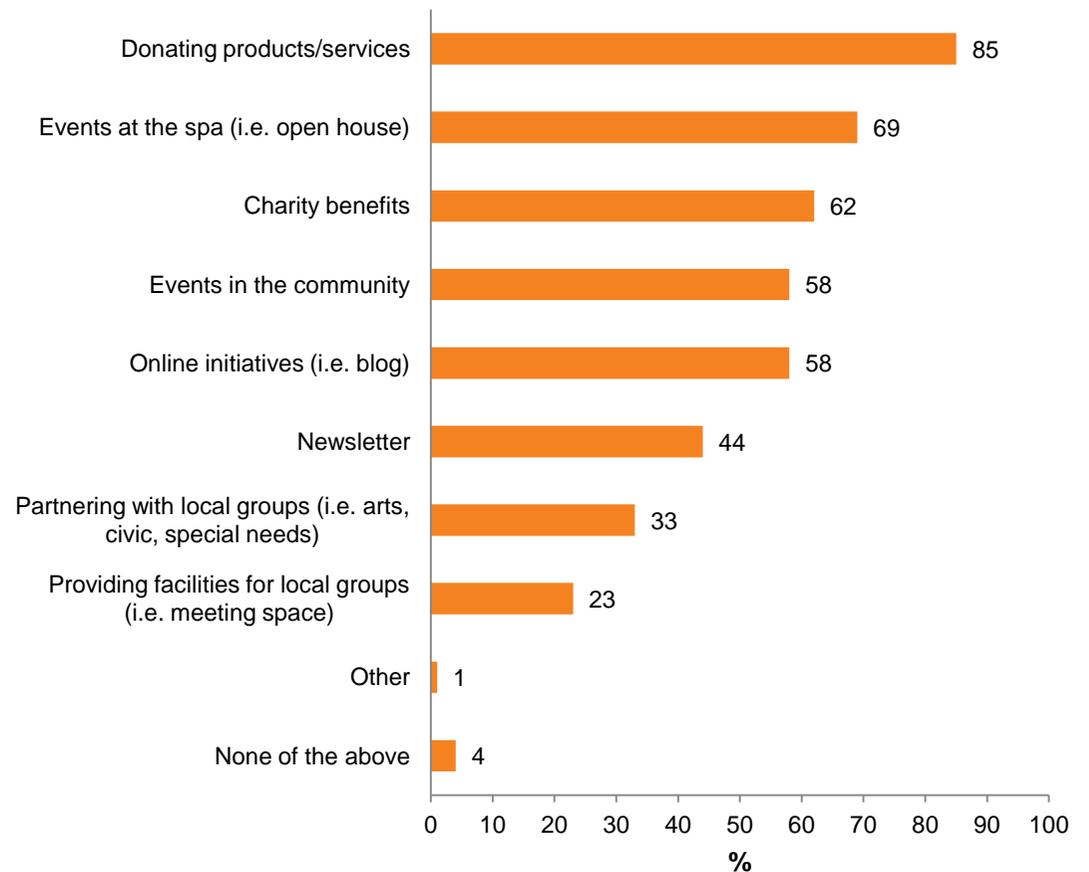
Spas clearly recognize the need to connect with their local communities, both to boost their local profile and to help educate people on the benefits of the spa experience. Almost all spas (96%) are undertaking one or more community outreach efforts.

Donating products and services was the most frequently mentioned community outreach effort, cited by 85% of spas.

The more proactive approach of holding events at the spa was cited by a large majority (69%). A majority of spas also said they hold events within the community (58%). Substantial proportions also publish newsletters (44%), partner with local groups (33%) and provide facilities for local groups (23%).

The average number of outreach activities cited by spas was 4.5. This is a useful indicator of the effort that spas are making to connect with their local communities.

Community outreach efforts used by spas





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Use of online services

The use of online services to help increase revenue is now standard practice among spas.

Almost all spas (95%) have their own Web site.

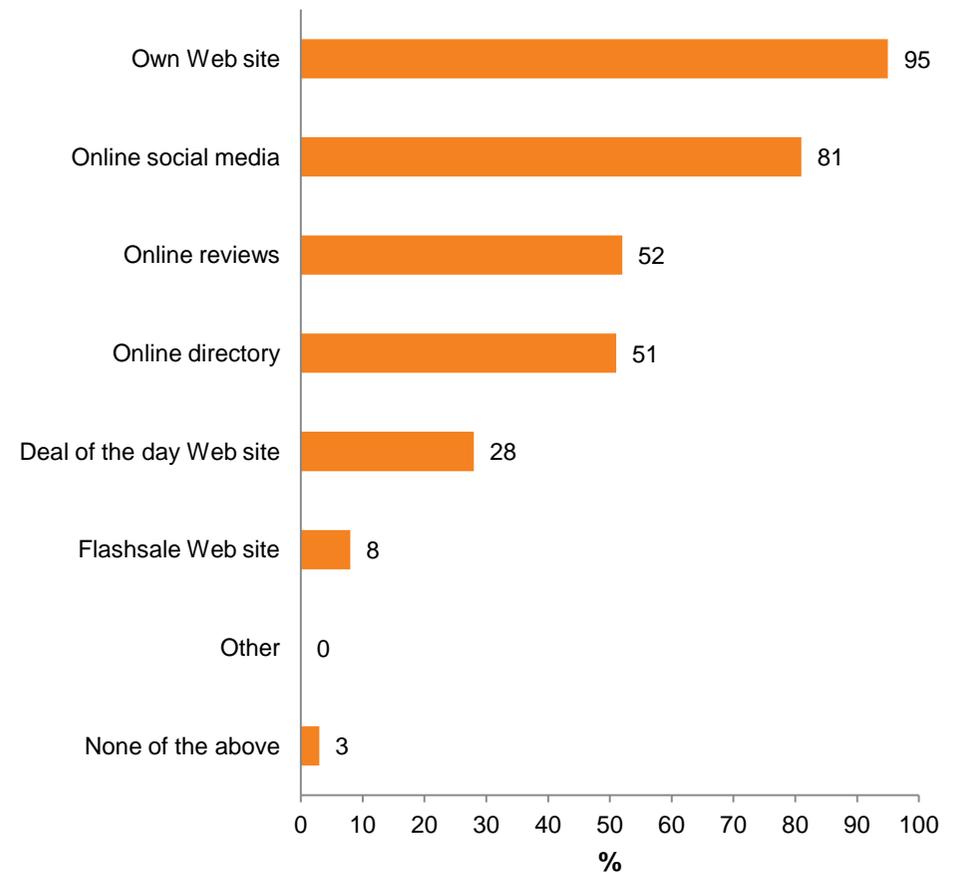
Four in five spas (81%) make use of online social media to help promote their businesses.

One in two spas use online reviews (52%) and/or an online directory (51%) as part of their promotion and marketing activities.

Deal of the day Web sites are less frequently used (28%), as are flashsale Web sites (8%).

On average, spas said they used three of the online services listed in the accompanying chart. Forty-four percent of spas mentioned the use of four or more online services.

Online services used to increase revenue





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Web sites/social media for promoting the spa experience

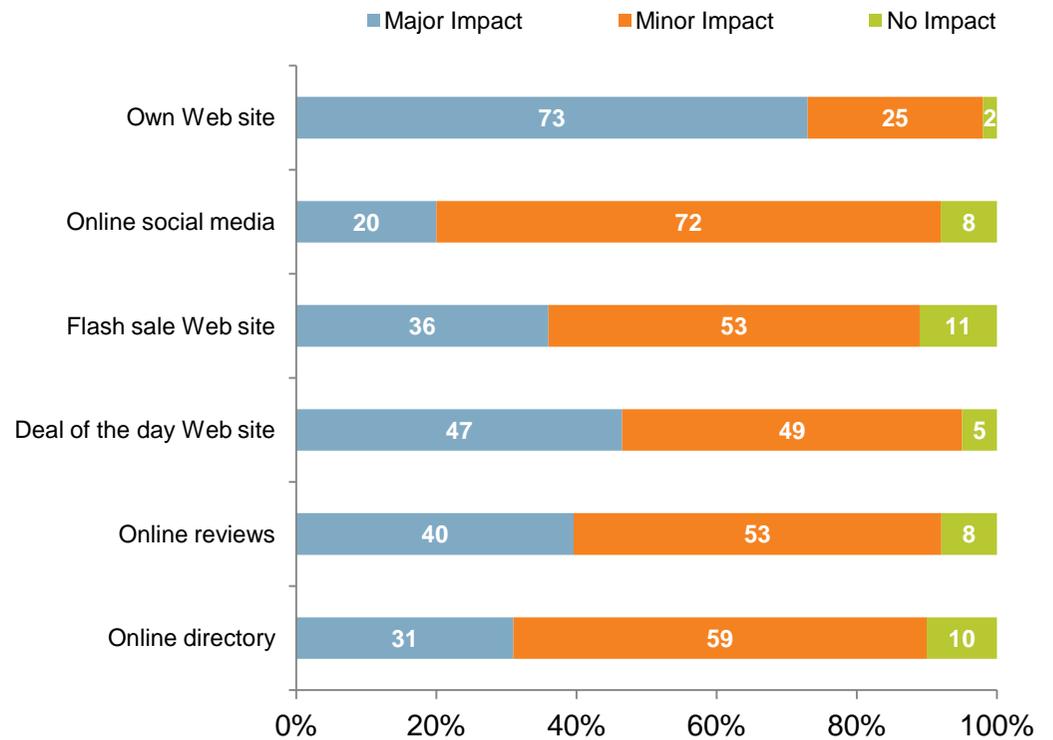
When asked to assess the impact of online services on revenue, a major impact was most often reported for their own Web site (73%). Fewer than one in two spas reported a major impact on revenues from any other online service.

Day spas were most likely to report a major impact on revenue from their own Web site (76%), followed by resort/hotel spas (68%) and medical spas (61%).

The reported impact on revenue was most likely to be described as 'minor' in relation to the use of online social media (72%).

The remaining online services were more likely to be described as having a minor than a major impact. Few spas using such services said they had no impact. The pattern of responses did not vary greatly by type of spa.

Impact on revenues (% of spas using the service)



Base: Spas that specified use of online services.



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Gift card promotions

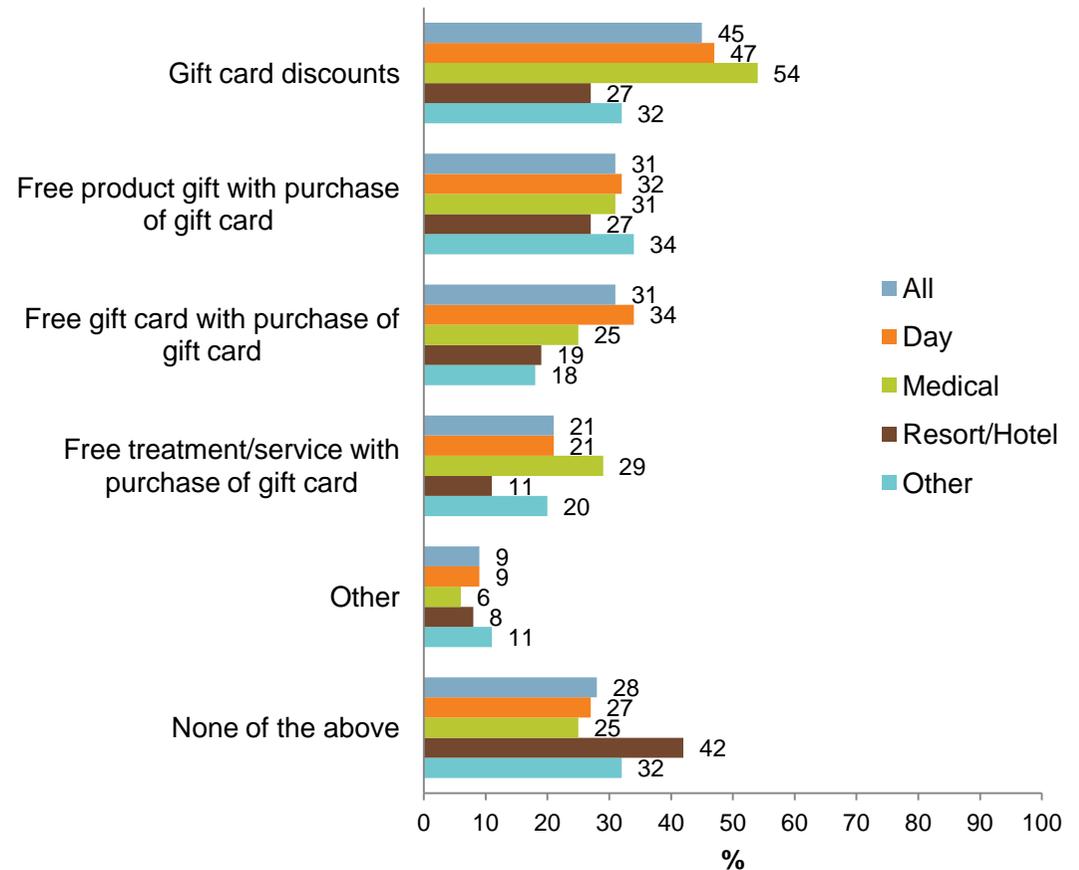
Discounts and rewards continue to be used in attracting spa-goers. In 2010, a majority of spas (72%) offered gift card promotions.

The proportion of spas using gift card promotions ranged from 58% of resort/hotel spas to 73% of day spas and 75% of medical spas.

Regardless of spa type, gift card discounts were the most popular promotion, used by 47% of day spas, 54% of medical spas and 27% of resort/hotel spas.

The use of free product gifts varied much less by spa type, from 27% of resort/hotel spas to 34% of spas in the other category.

Gift card promotions offered in 2010





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Gift card promotions

Among the 72% of spas that use gift card promotions, the revenue generated from sales of gift cards amounted to 16% of total revenues. Gift card revenues equate to 13% of total spa industry revenues*.

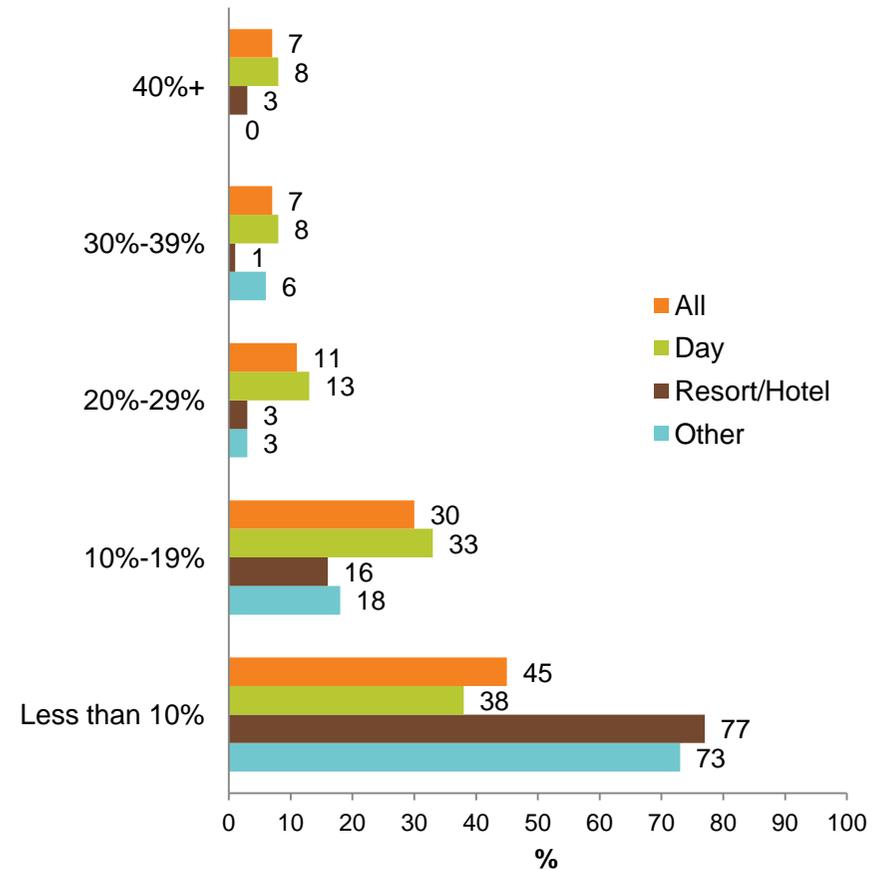
Among those spas that use gift card promotions, revenue generated ranged from 17% among day spas to 8% among resort/hotel spas.

Across all day spas, gift card promotions accounted for 15% of total revenue, compared to 5% in the resort/hotel sector.

For most spas, the revenue generated by gift card promotions was less than 20% of their total revenues.

* That is, revenues based on all spas, including those that use gift card promotions and those that do not.

Revenue generated in 2010 from gift card promotions



Base: spas offering 1+ gift card promotions.



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- Overview on the methodology
- The questionnaire
- Survey outcomes
- Comparability over time



Section 8: Introduction

This Section describes the approach to the 2011 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 2011 U.S. Spa Industry Study. Following a pilot exercise to assist in finalizing the questionnaire design, the full survey was launched at the end of February 2011 and completed in May 2011.

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, services and treatments. Spas were also asked about recent trends in their experience of key indicators i.e. visits, client spending, revenues, hiring and profitability.

Contact details for spas invited to participate in the survey were obtained from the ISPA database of spa locations, containing information on almost 13,000 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

In order to ensure continuity and consistency with the 2010 U.S. Spa Industry Study, the questionnaire for the 2011 Industry Study was based on the questionnaire used for the 2010 Industry Study. As described in the 2010 report, the questionnaire used for the 2010 Industry Study was developed in consultation with ISPA and refined through expert review and in-house testing of the structure and routing of the questionnaire.

As in the 2010 Industry Study, 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.

For the 2011 survey, a new suite of questions was introduced to obtain information on:

- How spas connect with their local communities;
- Their use of online services for selling the spa experience; *and*
- Their use of gift card promotions.



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Survey outcomes

The survey was launched on a bespoke Internet registration site in February 2011. The survey ran until early May 2011.

The number of survey returns providing information on one or more of the key statistics was 905.

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 to 1,235 establishments. Not all respondents provided information for each of the key statistics.

The number of spa businesses providing responses to the full survey questionnaire (the 'Big 5' key statistics plus the topics outlined previously) was 689. A degree of item non-response meant that not all full survey questions had a sample base of 689.

The distribution of full survey responses by spa type was similar to the profile for those providing one or more of the key statistics. 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 $\pm 4.1\%$.

The margins of error are wider for sub-samples. Thus, for proportions based on all day spas, the margins of error are $\pm 5.0\%$. For proportions relating to resorts/hotels, the indicative margins of error are $\pm 6.7\%$.



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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 on page 6 of this report.

In order to develop revised estimates of the trend in the number and distribution of spas, data from previous studies was 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 12-16 should nonetheless be treated with a degree of caution.



INTERNATIONAL SPA ASSOCIATION®

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