



Snapshot Survey Results Report

Expenses

November 2013



Expenses

ISPA Snapshot Survey | November 2013

Monthly Snapshot Surveys provide ISPA members with a valuable look into the state of the spa industry, spa industry trends and also help to identify the needs of spa professionals. Snapshot Surveys are conducted on the third Friday of each month, with full results provided only to respondents two weeks from the release date of the survey. Knowledge is a valuable tool and these quick surveys provide a wealth of information shared by ISPA's members. The November 2013 Snapshot Survey requested information on managing expenses.

ISPA spa members identified what portion of their spa's total revenues went toward expenses in 2012 and their projected numbers for 2013. On average, 63 percent of spa respondents' total revenue went toward expenses in 2012. When comparing day spas to resort/hotel spas, there was an eight percent difference in the average between these two groups (68 percent and 60 percent respectively). Spa members were then asked what percentage of their total revenues they projected to go toward expenses in 2013. The average for all spas was 60 percent. Again there was an eight percent difference in the average between day spas (65 percent) and resort/hotel spas (57 percent).

One out of every two spa member respondents indicated they track/monitor the 'direct cost per treatment'. Among those who monitor this metric, the average direct cost per treatment was US \$29.12 for the month of October. For day spas the average direct cost per treatment was \$34.32, while the resort/hotel spa average was \$24.07.

ISPA spa members were also presented with a list of categories and were asked to identify what percentage of their spa's 2013 total expenses is projected to go to each. Labor costs far outweighed any of the other categories with the average falling at 52 percent of total expenses. In a separate question, spa respondents were presented with another group of categories and then were asked to identify how their company's expenses have changed in each category in 2013 compared to the previous year. In regards to reduced expenses, the largest group of spas (15 percent) said they reduced ambiance expenses followed closely by cleaning/janitorial services (14 percent). Just over half of spa members (51 percent) said their employee benefit expenses increased in 2013 compared to the previous year.

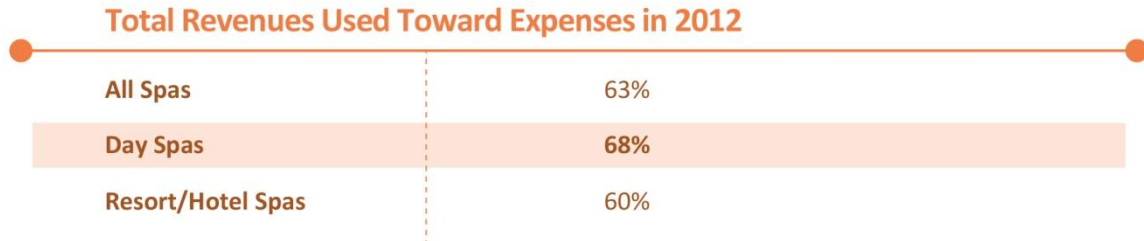
Due to the vast number of company types represented by the ISPA resource partner audience, it is difficult to obtain quality sample sizes for each specific type of company. As a result only data collected from spa members is presented in this month's report.

The results analysis includes answers from all respondents who took the Snapshot Survey in an eight-day period from Friday, November 15, 2013 to Friday, November 22, 2013. During this time, 337 ISPA members responded to the survey. The category "all spas" referred to within the charts includes data from all spa respondents (day, resort/hotel, medical, destination spas, spas under development and corporate spa headquarters).

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ISPA SPA MEMBERS

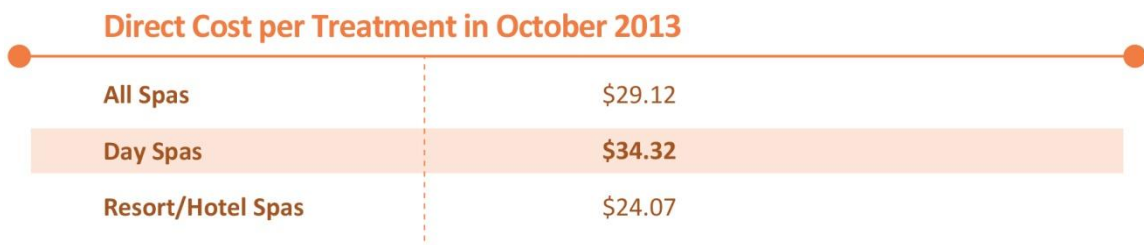
What percentage of your spa's total revenues went toward expenses in 2012?



What percentage of your spa's total revenues is projected to go towards expenses in 2013?



Please identify your spa's 'Direct Cost per Treatment' for the month of October 2013. (US\$)



Does your spa track/monitor its 'Direct Cost per Treatment'? (Direct Cost per Treatment = direct costs divided by number of treatments)

Track/Monitor 'Direct Cost per Treatment'

All Spas



Do not know: 3%

Track/Monitor 'Direct Cost per Treatment'

By Spa Type



Day Spas

Yes: 49%

No: 49%

Do not know: 3%



Resort/Hotel

Yes: 48%

No: 50%

Do not know: 3%

What percentages of your spa's total expenses in 2013 are projected to go towards the following categories?

	All Spas	Day Spas	Resort/Hotel Spas
Labor Costs	52%	54%	53%
Ambiance	3%	3%	3%
Guest Supplies	7%	5%	7%
Laundry	6%	3%	6%
Marketing	6%	7%	4%
Operating	8%	8%	7%
Professional Development	2%	3%	2%
Uniforms	2%	2%	2%
Other	14%	16%	13%

Please identify how your company's expenses for each of the following items/services have changed in 2013 compared to the previous year?

	Reduced Expenses	Increased Expenses	No Change	Not Applicable
Ambiance	15%	24%	59%	2%
Cleaning/Janitorial Services	14%	21%	61%	4%
Educational Resources and Training	9%	40%	49%	1%
Employee Benefits	5%	51%	45%	0%
Employee Incentives and/or Bonuses	5%	42%	54%	0%
Laundry Services	11%	31%	54%	5%
Linens and Towels	2%	44%	50%	4%
Marketing	11%	39%	39%	11%
Packaging in the Retail Area (i.e. gift bags, boxes, tissue paper, etc.)	11%	12%	71%	7%
Payroll Processing	6%	11%	75%	8%
Professional Development	4%	32%	60%	5%
Rent	4%	12%	45%	40%
Telephone/Internet Provider Services	10%	8%	66%	16%
Toiletries	2%	31%	64%	2%
Travel	8%	30%	55%	6%
Uniforms	10%	37%	49%	5%
Other	6%	26%	49%	20%

Respondents were asked to identify the most noticeable change in their company's expense budget in 2013 compared to the previous year. A sample of the responses is provided below. For response options that were submitted multiple times, the number of responses is listed in parentheses following the response.

- Ambiance and visual esthetics of the space.
- Benefits, linen costs and marketing have increased.
- Cleaning contractor increased fees.
- Commissions increase with service increase but it seems to be eating the profits away. I am considering lowering the commission rate per service.
- Cost of linen, cleaning and travel all rose.
- Cut in incentives and bonuses. Reduced paper marketing supplies.
- Employee benefits have increased in cost.
- Energy costs, shipping and products.
- Facility maintenance. Our facility is about to be five years old, and we had a number of internal expenses due to aging that were not planned for this year; increased over last year.
- Food costs are up about 10 percent and construction costs and materials are up about seven percent.
- Health insurance cost increase.(2)
- I was not involved in the budgetary process for 2012 and definitely observed areas that needed to be increased like uniforms and linen. These are areas that impacted the guest experience and the increase has increased morale for the associates.
- In 2013, the spa began a greater program of professional development - seeking comparisons within our comp set as well as budgeting for professional development opportunities such as the ISPA Conference.
- Increase in insurance policy premiums for both workers comp and liability.
- Increase in linen expense as we purchased new robes for the spa.
- Increase in retail sales.
- Increased marketing of the spa and resort.
- Insurance increases.
- Invested in training to add a new service to our menu.
- It has gone up two percent over last year.
- Labor costs. (3)
- Lower wages and overall cost.
- Maintenance.
- More money in training.
- Much less need in high marketing dollars.
- No significant changes other than reduced revenues; therefore, decreased total commissions.
- Our revenue and our expenses were down in 2013; therefore, we maintained our same rate of profit.
- Payroll. (2)
- Payroll and professional supply expenses decreased.
- Payroll decreased. (2)
- Payroll has gotten higher as staff is with us longer.
- Payroll in the area of guest relations. We have had to hire more people at higher wages in order to maintain our high level of customer service. Also, we have had to increase our marketing budget to attract business in this down economy.

- Payroll taxes and benefits cost were increased.
- Printed collateral.
- Reduction in benefits through a change in the pay structure.
- Refinanced debt.
- Salary and benefits costs increased. Marketing is a separate department and budget.
- Shipping costs for products, unemployment taxes and utilities.
- The corporate management fees have been reduced greatly over the last 12 months. Making sure this corporate office is run effectively is a cost savings.
- This year our wages, training and professional costs, including marketing, all went up.
- Training.
- There has not been much of a change in the expense budget for 2013 compared to 2012.
- Unfortunately, I don't get these numbers until the end of the year. I will say the biggest change for us has been the cost of products. They have increased twice, and shipping has also gone up.
- Upgrades of equipment.
- We are investing more in our ambiance and guest service items, looking toward enhancing the guest experience.
- We offered greater benefits but to a smaller amount of people, based on the law that working over 30 hours is counted as full-time. Most of our staff works 29 hours or less.
- We purchase more expensive products.
- We reduced our cost of goods in our services by about six percent but because we increased our revenue, we also had to increase our laundry services.
- We removed our hair salon and added a relaxation room, so furnishing the room was a large one-off expense. In addition, we have ongoing costs to stock the room (tea service, fresh fruits, etc).
- We use a contract company for laundry and housekeeping. These expenses are egregious and the quality is beneath my every expectation.

Respondents were asked to describe any measures their company has implemented to encourage employees to identify efficiencies within their company and how they are recognized/rewarded for those findings.

- A zillion different revenue based goals for cash incentives.
- All employees are goaled with identifying a cost savings or efficiency during annual reviews. Each employee's completion of this goal is figured in to their performance during the next annual review.
- Associates are recognized for anticipating guest's needs and exceeding expectations on a monthly basis. All managers are encouraged to write cards of acknowledgement and then these are entered in a monthly drawing for prizes and money (or a department pizza party). We have a yearly drawing for a large cash prize or gift. Areas or suggestions to increase guest experience at monthly departmental meetings.
- Be part of the weekly forecast meeting.
- Budgets and a system for sharing the spa P&L with the leadership team to make them more accountable has helped enormously. Also, we operate six spas nationally, so we implemented an ordering system that is based on volume and calendaring making each spa manager more responsible for tighter expense control and purchasing forecasting.
- Continue to stress "no waste" in product use.
- Employee suggestion box monthly winner gets \$20 cash and best one gets \$100 at the end of the year.

- Facial baskets for the appropriate facials in dispenser rather than stocking each room with unnecessary products.
- Fantastic idea but we do not do that today.
- Green Spa Network audit to cut expenses.
- Implemented a better compensation program for therapists.
- Incorporated into bonus pool possibilities.
- Monthly health and safety meetings that are run by associates.
- Name it and nail it program - ideas are submitted and reviewed and if installed, the employee receives a \$50 gift card.
- Recognition programs for safety and employee performance.
- Suggestion box.
- The majority of 2013 was focused on saving as much money as possible so that we could qualify for a lower interest rate on our bank loan (if we didn't absolutely need it, we didn't spend it). Now that the refinance is over, we are celebrating with a party and are purchasing the items that were deferred until now.
- There are regular meetings with leaders of each location and each department. All team members know they are important and their ideas are always heard and we encourage their feedback. They always see how their ideas or thoughts are fully executed via words and actions.
- There is no official program. If any employees did so, their suggestion would be reviewed and if implemented, they would be recognized and rewarded.
- This is ongoing and discussed and recognized at our bi-annual staff meetings. Suggestions are emailed to management at any time.
- Two important initiatives: 1) Incentive awards to current employees who recommend potential hires. Award is \$50 on hire; \$100 in three months and \$250 in six months. 2) Cash award for cost savings ideas that are implemented by management.
- We are a green spa so any green idea that our employees initiate and are implemented, we give them a corporate points reward, for use towards our corporate shopping website.
- We did a SWOT analysis and turned it into a contest within the entire hotel. Winning ideas won prizes such as movie tickets and dinners.
- We encourage our people to identify cost savings. We found a cost saving measure that proved to save our company \$23,000 without negatively impacting our guests or employees. The people who brought this idea forward received a monetary thank you.
- We have monthly coaching sessions with all employees and ask them to identify areas of improvement and encourage them to help with the solutions. We recognize these efforts at staff meetings.
- We instill in our culture a sense of ownership through the environment, the guest experience and the employment experience. Being an active participant in each experience is strongly encouraged.
- We love feedback! Usually the feedback is so great, we can implement ideas immediately.
- We created a challenge where each department had to show the ways they creatively reduced spending or saved money for their departments and then would share it with the managers of the resort. It became a healthy competition to see what we could all do to save money.