



INTERNATIONAL SPA ASSOCIATION FOUNDATION  
SPA CONSUMER SNAPSHOT INITIATIVE —  
VOLUME TWO | MAY 2012



# INTERNATIONAL SPA ASSOCIATION FOUNDATION SPA CONSUMER SNAPSHOT INITIATIVE — VOLUME TWO

— MAY 2012 —

## DISCOUNTING AND THE SPA INDUSTRY – THE VOICE OF THE CONSUMER

### What do consumers think of discounting?

The act of discounting is a widely debated topic within the services industry, particularly during times of economic instability. Common questions often include: Will offering a discount expand my customer base? Will offering discounts to my existing customers make them more loyal? Will discounting ultimately increase my revenues? Or, will discounting pose a reputational risk to my business by decreasing the value of my brand?

It is important to understand how discounting affects consumer behaviors, motivations and attitudes towards spas. This Spa Consumer Snapshot Initiative Report provides key insights into discounting. Once again, ISPA has commissioned PricewaterhouseCoopers LLP (PwC) to conduct a U.S. nationally representative survey program to provide these valuable spa consumer insights. The spa-goer incidence has been measured along with a selection of questions on discounting and loyalty to provide valuable data for the spa industry.

The May 2012 Spa Consumer Snapshot Initiative achieved 1,001 responses for a representative sample of the U.S. population by gender, age range, income band and region. The survey requested information from both spa-goers and non-spa-goers and covered the topics of: the profile of a spa-goer; investigated what loyalty programs consumers use most and why; the impact of incentives on loyalty; the impact of discounting on the value of a brand; what makes a customer feel valued; typical spa incentive offerings; and the overall impact of discounting.

For the purpose of this study, a **spa-goer** is defined as a person who has visited/attended a spa in the past 12 months. A **non-spa-goer** is defined as either an 'inactive spa-goer' (a person who has visited/attended a spa before, but has not been to a spa in the past 12 months) or a 'non-spa-goer' (a person who has never visited/attended a spa).

This Consumer Snapshot Initiative survey report is the second of the ongoing initiative. Each time, a representative sample of 1,000 adults in the U.S. will take part. It is very important to understand that the results regarding spa attendance are self-reported by the snapshot participants and are not official statistics, nor can they be expected to be in line with what spas report (in terms of overall spa-going numbers or demographic composition of those using the facilities).

The snapshots are an invaluable insight into the real-life attitudes and opinions of a sample of the U.S. population at a point in time, and only when there is at least one more wave of research will it be feasible

to make in-depth comments on any trends or key issues. The level of interest in the results has been phenomenal and the key to success is to interpret this second consumer snapshot as just that — and one that will continue to be built on to deliver the whole picture.

**What is discounting?**

Discounting means different things to different people. On one hand it can mean a reduction in the amount you pay. On the other hand it can mean a loyalty reward program with value-added incentives or complimentary services after a specific number of spa visits. Discounting has become more than just a reduction of the cost of the service. No matter which approach to discounting a spa chooses to take, the ultimate aim is to increase spa visits and expand its loyal customer base.

**What is the spa-goer incidence in the U.S.?**

Building on Volume 1 (V1) of the Spa Consumer Snapshot Initiative conducted in November 2011, the ISPA Foundation is now in a position to track the spa-goer incidence for the U.S. population over two periods. This will be a continuing feature of this study. In Volume 2 (V2), the spa-goer incidence is *36.5 percent* of the U.S. population who have visited a spa at least once in the past 12 months. This is only a *2.7 percent difference* from the baseline measure taken in V1. Similar to the last volume, *only one-quarter (23.2 percent in V2 and 24.8 percent in V1)* of the U.S. population could be classified as a regular spa-goer having been to a spa more than once in the past 12 months.

**NUMBER OF VISITS TO A SPA IN THE PAST 12 MONTHS**

Frequency of Visit	V2 – May 2012	V1 – November 2011
None	63.5%	60.8%
One	13.3%	14.4%
Two to four	13.9%	13.9%
Five or more	9.3%	10.9%

**Who is the typical spa-goer?**

At this snapshot in time, the typical spa-goer tends to be aged between **25 to 44 years**, with 35- to 44-year-olds tending to visit more frequently. Spa-goers are inclined to earn **more than \$50,000 per year**.

There continues to be some interesting trends when comparing the female spa-goer to the male spa-goer. Once again the male spa-goer tends to visit spas more frequently than female spa-goers.



## NUMBER OF VISITS TO A SPA IN THE PAST 12 MONTHS

Frequency of Visit	Female Spa-Goer	Male Spa-Goer
None	64.0%	62.9%
One	14.1%	12.5%
Two to four	14.6%	13.1%
Five or more	7.3%	11.5%

## What type of spas do spa-goers visit most frequently?

There is no one type of spa that spa-goers significantly visit the most. However, the top three types of spas tend to be a spa located within a salon (20.5 percent), a spa located within a resort or hotel (15.9 percent), and a standalone day spa with no salon (14.2 percent).

## TYPE OF SPA VISITED MOST FREQUENTLY

Type of Spa	Percent of Spa-Goers Use
Spa located within a salon	20.5%
Spa located at a resort or hotel	15.9%
Standalone day spa with no salon	14.2%
Spa located at an athletic or fitness facility	11.5%
Medical spa	7.9%
Spa located in a shopping center or mall	7.1%
Spa located at a private membership facility (i.e. residential community, country club, etc.)	6.3%
Mineral springs spa	5.5%
Destination spa	5.2%
Spa located within a casino property	3.0%
Mobile spa that comes directly to you	1.1%
Spa located within an airport	0.0%
Other	1.6%



## Which loyalty reward programs do consumers use?

It is interesting to note that 77.2 percent of non-spa-goers and 94.8 percent of spa-goers surveyed indicated they belonged to at least one type of loyalty reward program. The most common type of loyalty reward program membership is grocery stores for both spa-goers and non-spa-goers (66.6 percent and 60.1 percent respectively).

There is a significant difference between the spa-goer and non-spa-goer in terms of membership of hotel and airline loyalty reward programs. For both types of services, more than half of spa-goers indicated they were a member (54.5 percent for hotels and 53.4 percent for airlines), while only one quarter of non-spa-goers indicated they were a member of the same two programs (27.0 percent for hotels and 24.5 percent for airlines).

### LOYALTY REWARD PROGRAMS USED BY CONSUMERS

Loyalty Reward Programs	Spa-Goer	Non-Spa-Goer
Grocery Stores	66.6%	60.1%
Hotels	54.5%	27.0%
Airlines	53.4%	24.5%
Drug Stores	44.7%	37.9%
Apparel Stores	41.4%	16.7%
Restaurants	34.8%	18.6%
Gas Stations	27.9%	14.2%
Hair Salon/Barber Shop	16.7%	4.1%

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## Which types of incentives do spa-goers' favorite spas currently offer?

A loyalty rewards program for repeat visits is the most common incentive offered by a spa-goers' favorite spa (31.0 percent). This is followed closely by 'employees greet me by name' and 'know my preferences' (30.4 percent). Interestingly, only 13.2 percent of the spa-goers' favorite types of spas do not offer any type of incentive to their customers.

## TYPES OF INCENTIVES OFFERED BY FAVORITE SPA

Incentives Offered	Percent of Spas Offer
Loyalty rewards program for repeat visits	31.0%
Employees greet me by name and know my preferences	30.4%
Free treatment after a certain number of visits	27.7%
Discount on retail products for repeat customers	27.1%
Discounts for referring friends to the spa	25.2%
Custom birthday greeting with a special gift	23.3%
Receive free samples of the newest retail products	17.5%
Access to VIP appointment times during peak days/hours	16.4%

## Loyalty Reward Program or One-time Discount – What would incentivize a spa-goer to go to your spa for their next visit?

There is no clear winner in the debate of whether offering a loyalty reward program or promoting a one-time discount on a service will most encourage a spa-goer to go to your spa for their next visit. It would appear that for a massage service offering a loyalty reward program is a somewhat more effective incentive (56.2 percent). Promoting a one-time discount on service appears to be slightly more effective for facials (54.0 percent) and manicures/pedicures (53.4 percent).

## I AM MORE LIKELY TO GO TO A SPA

For the Following Services	... with a loyalty-reward program	... promoting a one-time discount on service
Facials	46.0%	54.0%
Massage	56.2%	43.8%
Manicure/Pedicure	46.6%	53.4%
Hair Salon	51.8%	48.2%

## What is the consumer's most preferred loyalty benefit?

The question, when thinking of your favorite loyalty program, what is your most preferred loyalty benefit, was asked to both spa-goers and non-spa-goers. A wide variety of responses were provided, including the following:

- Cash discounts
- Loyalty reward program points
- Coupons that are unique to them
- Buy one, get one free offers
- Advanced notice on sales
- Free samples
- Upgraded service offerings
- Benefits on your birthday
- The company keeping me informed and up-to-date on new services, benefits, etc.
- Receiving customized recommendations
- Friend referrals

The following quotes from survey respondents identify some of the customer's most preferred loyalty benefits:

"My favorite benefit would be getting a discount on something on my first purchase. This not only lets me see if I like the service/product, but really makes me confident that the store is big on customer service."

— *Female spa-goer, 18 to 24 years, between five and seven visits in the past 12 months*

"Advanced notice on sales and special discounts for VIPs before they're open to the public."

— *Male non-spa-goer, 35 to 44 years, has not visited a spa in the past 12 months*

"Being kept up-to-date on special offers and discounts and just general news of what's going on within the company that influences me, the customer."

— *Female non-spa-goer, 25 to 34 years, has not visited a spa in the past 12 months*

"I like shopping at places like Nordstrom or Tiffany and Co. They keep track of your purchases and then suggest what you might like next."

— *Female spa-goer, 18 to 24 years, between two and four visits in the past 12 months*

"We especially like a reward program at a local restaurant that gives us \$20 credit for every \$100 we spend."

— *Male non-spa-goer, 55 to 64 years, has not visited a spa in the past 12 months*

"Discount on future services after a number of visits, i.e. have 10 pedicures and the next one is discounted."

— *Female spa-goer, 45 to 54 years, between two and four visits in the past 12 months*

“Great customer service, offering me water or another drink while I’m in the spa, adjusting services to my preferences.”

— Female spa-goer, 18 to 24 years,  
between five and seven visits in the past 12 months

### What types of incentives encourage consumers to remain loyal to a brand?

Incentives appear to have a strong influence on a consumer’s decision to remain loyal to a brand. This is particularly true of the spa-goer. For the spa-goer, nearly three-quarters (74.0 percent) indicated a ‘free gift after a certain number of purchases’ would influence them to some or a great extent to remain loyal to a brand. For the non-spa-goer, the most influential type of incentive was the ‘discount on retail products for repeat customers’ where over two-thirds (68.7 percent) indicated this would be influential to their loyalty.

#### THE FOLLOWING TYPES OF INCENTIVES INFLUENCE CONSUMERS’ DECISIONS TO REMAIN LOYAL TO A BRAND TO SOME OR A GREAT EXTENT

Type of Incentive	Spa-Goer	Non-Spa-Goer
Free gift after a certain number of purchases	74.0%	54.8%
Receive free samples of the newest products/service offers	61.9%	55.0%
Loyalty rewards program for repeat purchases	60.8%	59.5%
Discount on retail products for repeat customers	60.0%	68.7%
Custom birthday greeting with a special gift	57.0%	32.9%
Employees greet me by name and know my preferences	56.2%	20.3%
Discounts for referring friends	51.8%	22.1%
Access to VIP events/appointment times	48.5%	22.3%

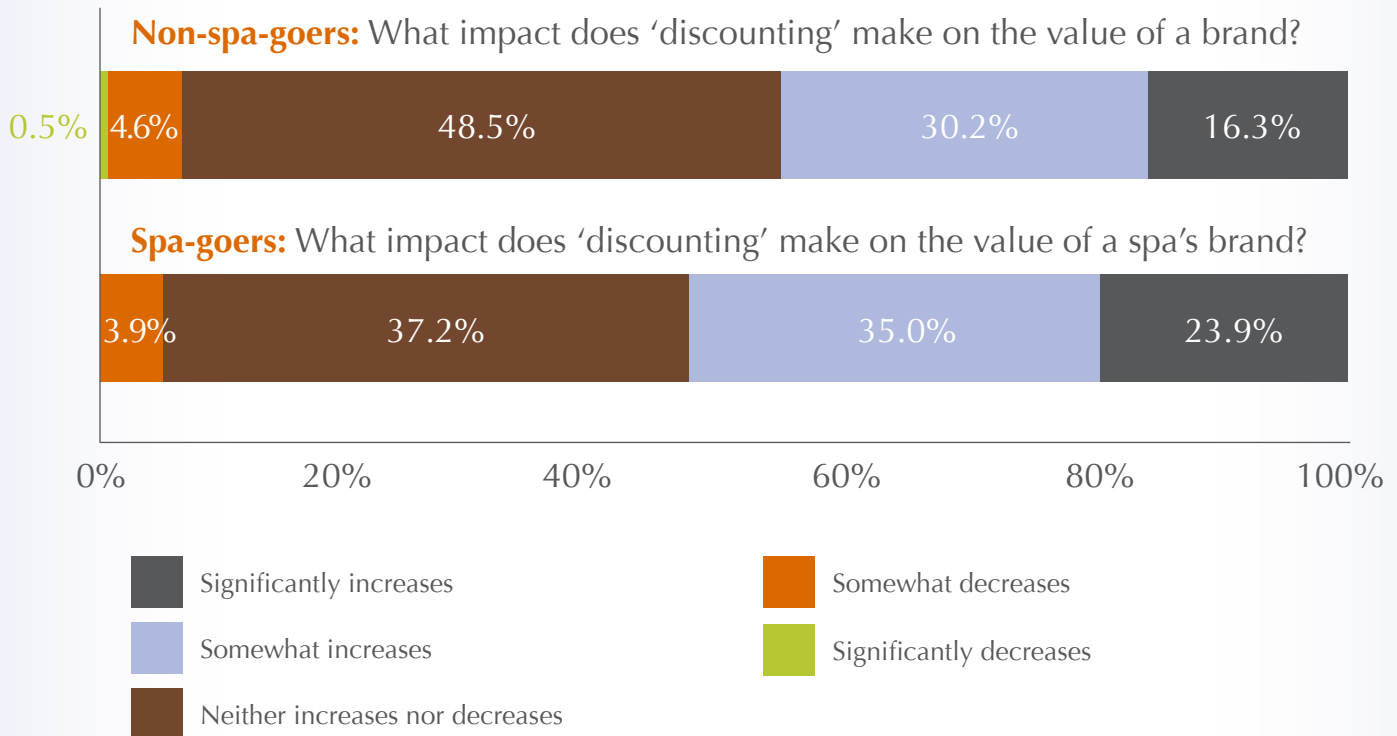


## What impact does discounting have on the value of a brand?

An overwhelming majority of respondents believe that discounting does not decrease the value of the brand. The non-spa-goers were asked to respond on behalf of ‘any brand’ while the spa-goer was asked to respond on behalf of ‘a spa’s brand.’ It is worth noting that nearly one out of every two non-spa-goers believe discounting somewhat or significantly increases the value of a brand (46.5 percent).

What is more interesting for the spa industry is that three out of every five spa-goers believe discounting somewhat or significantly increases the value of a spa’s brand (58.9 percent), with nearly one quarter believing discounting actually significantly increases the value of a brand (23.9 percent).

### THE IMPACT ‘DISCOUNTING’ MAKES ON THE VALUE OF A BRAND



“Deals that are exclusively for me. Just for me, not deals that say they’re for me, but they are sent to everyone.”

— Male non-spa-goer, 18 to 24 years,  
has not visited a spa in the past 12 months

## Does discounting drive loyalty?

Five statements were posed to both the spa-goer and non-spa-goer to try to better understand what drives their loyalty. Spa-goers were to think of their responses in the context of a spa, while non-spa-goers were to think of it in the context of a similar service provider (i.e. a hair salon/barber shop). The results for those who agree or strongly agreed to each statement are presented in the table below as the level of agreement.

In summary, trust is a large factor in driving loyalty for both spa-goers and non-spa-goers (67.9 percent and 57.5 percent respectively) and the importance of discounting cannot be ignored. However, discounts appear to be even more valued by the spa-goer, as they would travel more than 30 minutes for a good discount at a spa (53.4 percent), they only have a spa treatment when a discount is being offered (37.5 percent) and a discount would encourage them to go to a spa more often (77.6 percent).

### THE FOLLOWING TYPES OF INCENTIVES INFLUENCE CONSUMERS' DECISIONS TO REMAIN LOYAL TO A BRAND TO SOME OR A GREAT EXTENT

Spa-Goer	Level of Agreement	Non-spa-goer	Level of Agreement
Discounts would encourage me to go to a spa more often	77.6%	Discounts would encourage me to go to a hair salon/barber shop more often	36.8%
I always go to the same spa because I trust them	67.9%	I always go to the same hair salon/barber shop because I trust them	57.5%
I would travel more than 30 minutes for a good discount at a spa	53.4%	I would travel more than 30 minutes for a good discount at a hair salon/barber shop	14.7%
I only have a spa treatment when a discount is being offered	37.5%	I only go to a hair salon/barber shop when a discount is being offered	10.5%
Discounts have no influence on whether I go to a spa or not	29.6%	Discounts have no influence on whether I go to a hair salon/barber shop or not	37.6%

## What makes customers feel valued?

Both spa-goers and non-spa-goers were asked to describe what makes them feel valued as a customer, apart from receiving a discount. It should not be surprising that there is a common thread between spa-goers and non-spa-goers as to what makes them feel valued as a customer. The following common themes emerged from their responses:

- Great customer service from courteous employees
- A personalized service offering to meet their needs
- Some form of discount, reward or incentive being offered to acknowledge their loyalty

*“To be greeted by name, knowing preferences, having items needed for my treatment ready before I arrive, employee acting as if he/she is happy to see me/or getting the opportunity to help me, sending thank you cards or birthday cards.”*

*— Female spa-goer, 45 to 54 years,  
between two and four visits in the past 12 months*

The following respondent quotes identify some of the things that make them feel valued as a customer:

*“To be recognized by employees and given repeat customer rebates.”*

*— Male non-spa-goer, 65 years or older, has not visited a spa in the past 12 months*

*“Knowledgeable staff that makes customized recommendations, both for products and general care.”*

*— Female spa-goer, 45 to 54 years, between two and four visits in the past 12 months*

*“Remembering my preferences, not feeling rushed, feeling like it is a personal service, customizing the experience.”*

*— Female spa-goer, 25 to 34 years, between two and four visits in the past 12 months*

*“Being treated like my business matters to them.”*

*— Female non-spa-goer, 18 to 24 years,  
has not visited a spa in the past 12 months*

## What are the key insights for the industry?



### **Discounting means different things to different people |**

As discussed earlier, discounting can mean a variety of things — a traditional price reduction, a loyalty reward program offering value-added services or rewards, a coupon with a two-for-one offer or package offerings that provide multiple services at a reduced rate. When offering a discount, it is important to offer one that is attractive to a new customer or makes the repeat customer feel like it is unique to them.

**Customization is paramount |** The voice of the customer speaks clearly that service is of paramount importance. But it is the personal touch, the customization of the service offering, which results in long-term loyalty. The customer likes to be recognized — recognized for being loyal!

**Consumers do not view discounting as damaging to the brand |** Perhaps this runs contrary to many arguments put forward by service industry marketing professionals in the past; but, the vast majority of consumers in this study have told us that in their opinion discounting does not damage the brand.

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The ISPA Foundation's mission to improve and enhance the value of the spa experience; their vision is to advance spa culture to sustain health and well-being. The ISPA Foundation's objectives include being the educational source for the spa industry, establishing definitive research that validates spa industry related topics and creating an endowment that sustains the ISPA Foundation in perpetuity.

The ISPA Foundation also wishes to thank the many individuals and companies who have given generously over the years including those from the Charter Club Members (found on the website) who continue to make these research projects and work of the Foundation possible.

To learn more about the Foundation or to make a donation to help support the continuance of the Consumer Snapshot Initiative, please visit [experienceispa.com/ispafoundation](http://experienceispa.com/ispafoundation).

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**International Survey Unit**

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