



SNAPSHOT SURVEY RESULTS REPORT

Gratuities and Service Fees

NOVEMBER 2015



Gratuities and Service Fees

ISPA Snapshot Survey | November 2015

Monthly Snapshot Surveys provide ISPA members with a valuable look into the state of the spa industry, spa industry trends and helps 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 Snapshot Survey focused on ISPA member spa gratuities and service fees.

When asked whether their spas have automatic service fees/charges, 45 percent of all spas responded yes; with only 15 percent of day spas saying yes compared to 56 percent of resort/hotel spas. Respondents were then asked to identify the service fee percentage or fee. The wide variety of responses ranged from 12.5 percent to 23 percent, with several different breakdowns of the percentage that goes directly to the service provider.

To help encourage tipping, one out of every two member spas asks guests if they would like to add on gratuity at the time of payment. Resort/hotel spas are more likely than day spas to include a gratuity policy in the menu of spa services (49 percent and 33 percent respectively). Other efforts used to promote gratuities include providing guests with special envelopes at check-out, automatic addition of gratuity for larger groups and the inclusion of an additional gratuity line after the service charge amount.

Respondents who have an official gratuities policy at their spa were asked to share the details of their policy language. The term "for your convenience" was among the language commonly used when referring to automatic service charges. Some took a softer marketing approach in their language (i.e. "gratuities are never an expectation, but always appreciated").

In discussing what percentage of a massage therapist's annual income is derived from gratuities, 25 percent of all spas reported that this amount would be between 16 and 20 percent, followed closely by 20 percent reporting this number to be between ten and 15 percent or between 31 and 40 percent. Just two percent of all spas responded that less than ten percent of their massage therapist's annual income is derived from gratuities.

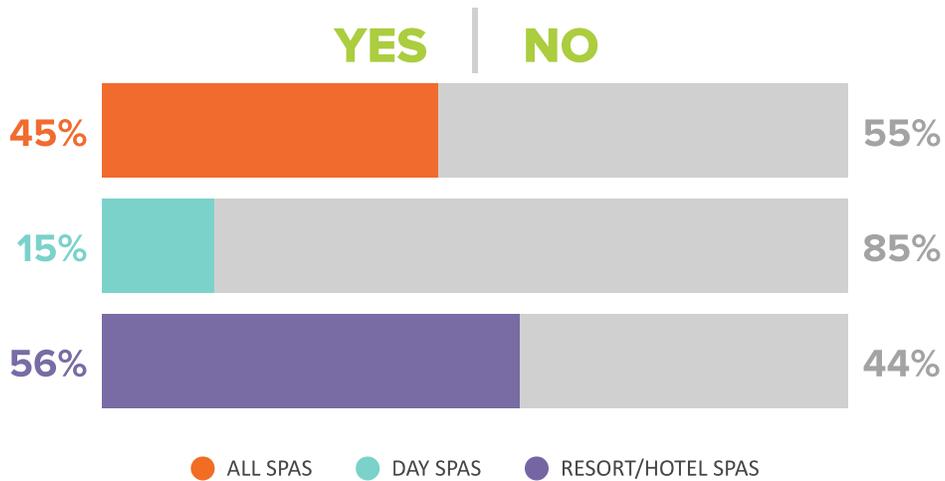
When asked about their company's greatest challenge when it comes to gratuities, ISPA spa members gave a wide variety of answers that included cash tips versus credit card tips, confusion with service fees and gratuities, guests not understanding proper gratuities etiquette and the distribution of gratuities amongst the staff.

The results analysis includes answers from all respondents who took the Snapshot Survey in an eight-day period from Friday, November 13, 2015 to Friday, November 20, 2015. During this time, 311 ISPA members responded to the survey. The categories "all spas" and "ISPA Spa Members" referred to within this report include data from all spa respondents (day, resort/hotel, medical and destination spas).

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ISPA SPA MEMBERS

Does your spa have automatic service fees/charges?



Respondents were asked to identify the service fee percentage or fee below AND also identify what percentage goes to the service provider. A sample of responses is provided below.

- 12.5% all goes to the provider.
- 14% to therapist - 6% to spa pool.
- 15% is a general pool among all spa employees, front desk, locker attendants, spa therapists, etc.
- 15% to service provider.
- 15% to therapists and 5% to spa front desk staff.
- 16% goes to the service provider.
- 18% - 15% goes to provider.
- 18% and 16% goes to the provider.
- 18% and it goes to a pool that it's divided between all spa staff.
- 18% and it all goes to the provider.
- 20% - 100% goes to the provider.
- 20% - 17% goes to service provider.
- 20% (18% to the tech and 2% into a tip pool between locker room and front desk).
- 20% and 15% of it goes to therapists.
- 20% - 16% service provider-4% front desk staff.
- 20% - 17% provider 3% tip pool for hourly staff.
- 20% - 18% to provider and 2% goes to support staff distributed with hours worked rule in pay period.

- 20% fee; 16% to service provider, 4% tip pooled and split.
- 20% is added to all services, 15% goes to service provider, 2% to spa receptionists, 1% to spa attendants, and 2% to house since we do not charge a resort fee with hotel stay.
- 20% of which 90% goes to the provider and 10% goes into a pool split between all support staff working that day.
- 20% service charge with 17% going to the service provider, 2% going to spa attendants & concierge, and 1% staying with the spa to offset the cost of amenities.
- 20% service charge, 18% guest to the provider, .5% goes to reception and 1.5% goes to the spa attendants.
- 20% service charge, 18% to provider and 2 % is retained by the spa.
- 20% service charge. 15% to service provider. 2% to front of house staff and 3% to the house.
- 20% service charge. 17% goes to the provider and 3% is divided amongst lounge and front desk staff based on hours worked.
- 20% service charge; 18% goes to the provider and 2% to the support staff (house) attendants & front desk.
- 20% service fee. 17% to provider, 3% to support staff (concierge, hosts, reservations, etc.).
- 20% service fee; 16% goes to service provider.
- 20%. 18% goes to the service provider, 1% to support staff (houseperson, etc.) pool, and 1% to a house account for bonuses, incentives, etc.
- 20%; 16.75% to service provider; balance in generic pot for other support staff.
- 22 % all going to the provider.
- 22% service charge, 15% goes to service provider, 2% goes to support staff.
- 23% (18% to provider and 5% to support staff, none to house).
- 3% service charge; we also do an automatic 17% gratuity that the service provider receives but is at the discretion of the guest if they want to remove the 17%. The 3% cannot be removed.
- 4% service charge, to offset administrative expenses and 15% gratuity that goes to the providers.
- It is 18%. 15% goes to the treatment providers. 3% goes to spa concierge and locker room staff.
- We have a 15% service charge but it is for the all staff as part of our all inclusive pricing. It does not include the therapists as those services are al la carte.

Respondents were asked if they could make a change to their spa's current service fee policy, what would it be and why? A sample of responses provided is below.

- 15% service charge for service provider.
- 15% to treatment provider, 2.5% to support staff, 2.5% to house.
- 17% to provider.
- 2% for spa front desk agent.
- 20%; 18% to provider and lower commission by 3%.
- 24%, 22% to provider and 2% to support staff.
- 3% for spa valet.
- A portion would go to the spa attendants. Currently it does not.
- Bill it into the price and rise commission percentage to cover same.
- Get rid of it because guests want you to call the service charge a tip, and that is against the law. You can check with the IRS. But, at this time, our therapists' compensation includes that service charge. We can't easily get rid of it.

- Give all to provider - this would be much easier to explain to guests and for the providers.
- Give more of a % to the support staff to increase their income.
- I think for where we are located, 20% is the way to go!
- I would eliminate it. It would make the service providers more diligent about their level of service.
- I would give 18% to my provider and 2% to my front desk team to split.
- I would have an additional portion for a pool for attendants and desk.
- I would include it in the price of the service because guest would stop asking if it's a tip.
- I would like to have gratuity and service charge as one number, rather than have it split in two. Also, I would prefer to have the gratuity as 18%, as there are so few that leave additional tips for the providers.
- I would take 1% to the house.
- Increase it.
- Increase treatment prices to eliminate gratuity and simultaneously raising hourly pay for therapists.
- Let guest decide. Too many complaints from guests.
- Option to waive.
- Remove the service fee--I've always viewed gratuity as something that is given for good service, not an automatic charge of any kind. It'll make the team work harder for their gratuity.
- Service charge would be assessed on the regular price of the service - not the discounted price.
- The confusion of service charge and gratuity. We need another term for this. Is a service charge an automatic gratuity? Is it optional? Etc...
- This structure is working out for us. Helps keep labor costs lower and as a resort spa, guests are used to this practice. We have only had very few comments at checkout that reflected negatively on the automatic service (grat) fee; but those were from our club members. If we were to make a change it would be to allow for the guest to adjust the 20% (down) to reflect their experience with the spa service and technician. This would also put more responsibility and demand on the provider to ensure excellent service!
- Up it to 20% and give the locker room attendants the extra 2%.
- We are modifying it down for new employees.
- We have to change due to New York law. We are going to absorb grat into rate and become no tipping facility. Otherwise we have to have a free for all, tacky hands out grat policy or add a taxable fee that does not fit spa either.
- We just changed it from 18% to 20%.
- We just changed it. Small portion also goes to attendant and spa coordinators, which they have been asking for a long time. Very happy to be able to do so.
- We originally started with a service fee of 25% (was gratuity + an hourly wage) which 20% went to the technician and the other 5% back to the spa. We opted to increase our menu prices to include a commission on top of hourly per treatment of 16.3%. We now allow gratuity at the discretion of the guest. This works very well for us.

Which of the following efforts, if any, are used by your spa to encourage guests to leave a gratuity?

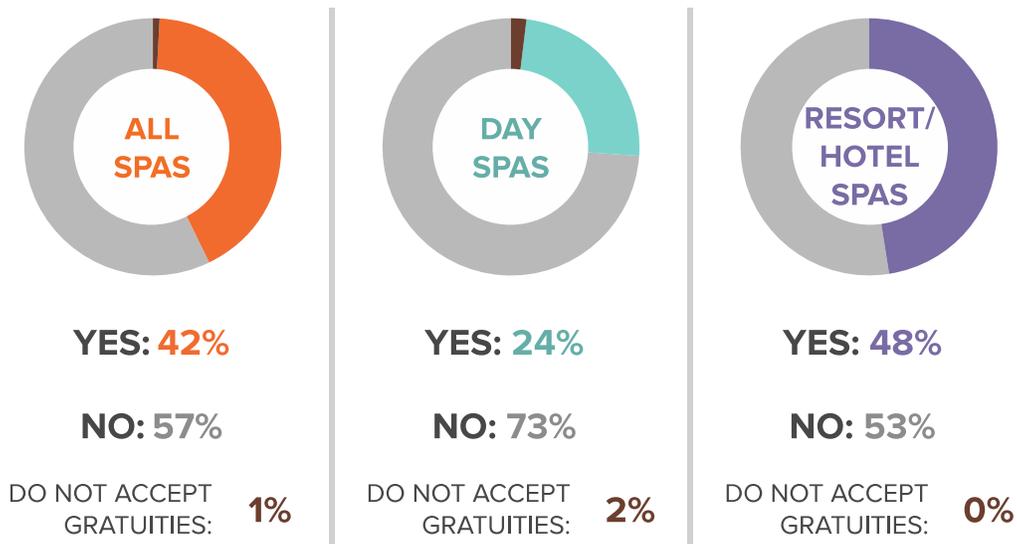
RESPONSE	ALL SPAS	DAY SPAS	RESORT/HOTEL SPAS
Include a gratuity policy in the menu of spa services	44%	33%	49%
Post messaging within the spa that educates guests about tipping	10%	11%	9%
Automatically populate gratuity options on guests' receipts	23%	11%	28%
Ask guests if they would like to add gratuity when paying	51%	67%	44%
Other:	20%	22%	19%

Those who selected “other” in the above question were asked to identify those additional efforts. A sample of responses provided is below.

- Added to all groups of six or more.
- Advise staff on correct company-approved verbiage to use.
- At the discretion of the member - there is a line but we do not point it out.
- Automatic service charge works as gratuity.
- Discreetly provide a card to indicate amount of gratuity.
- Educate guest on service charge and have line for guests to leave additional if they wish.
- Encourage guests to indentify above and beyond service and let them know that additional grats are appreciated and go directly to the service provider.
- Gratuity on groups of 10 or more.
- Grauity is included.
- Guest is advised that gratuities are adjustable at anytime for their services.
- Included on room charge; invoice acknowledgement form.
- Message in spa etiquette.

- Provide envelopes at checkout.
- It is explained on the receipt in print.
- Secure tip box w/writing desk and ATM near check-out in lobby.
- Sign at check out.
- Square calculates and offers the space to leave tip.
- Tip envelopes at front desk.
- We always mention the service charge at the time of payment and add "if you would like to leave a gratuity for exceptional service we would be happy to give that to your service provider".
- We have service charges and gratuities are at discretion.
- We included an "additional gratuity" line after service charge.
- We still ask if they would like to adjust based on satisfaction of services received.
- When signing for a treatment in the room there is a line for grat for both provider and attendants.

Does your spa promote an official gratuities policy to its guests?

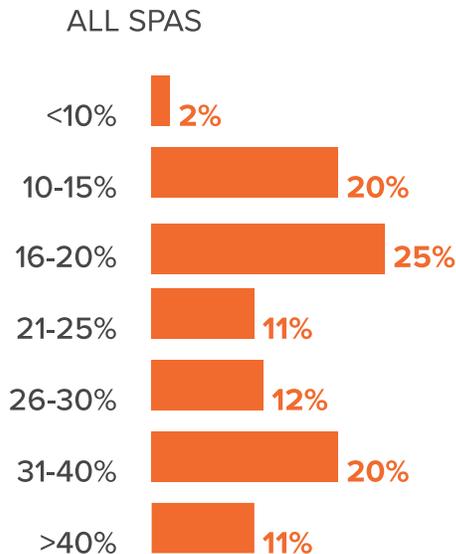


Respondents that have an official gratuities policy were asked to share the details of their policy. A sample of responses provided is below.

- All pricing is subject to a 15% gratuity and a 4% service charge.
- Prices do not include 20% gratuity is printed on the price sheet.
- 15% is included already for your provider but if you want to leave more that is completely up to your discretion.
- 20% automatically applied, but we inform the guest it is adjustable at any time.
- A 20% gratuity will be added to your bill at your convenience.
- After explaining the service charge we let the guest know that if they would like to leave something additional they may do so.
- All services have an 18% of service charge automatically added to your convenience.
- Although service charges are not included in your bill, they are greatly appreciated by each recipient.
- An 18% gratuity is added for your convenience, however if you would like to adjust it, we would be more than happy to do so.
- An automatic 18% service charge will be added to all spa and salon services.
- At time of booking they are informed of the 20% service charge then at check in they are given a "preview" receipt to sign which includes the 20% service charge.
- Customarily we include a 20% gratuity assuming everything was to your satisfaction. Please feel free to alter the gratuity at your discretion.
- For groups, 15% gratuities are mandatory on the spa reservations.
- For your convenience, a 20% gratuity will be added to all services. Note, this gratuity is adjustable upon checkout, based on your satisfaction with services received.
- For your convenience, a 20% service charge will be automatically added to your final bill. Gratuity for exemplary service is discretionary.
- For your convenience, a service charge is added to the price of your treatments and distributed amongst the staff. 18% of the cost of the service goes to the individual who provided the treatment, and another 2% is distributed among the spa coordinators and spa attendant. Some packages may already have the service charge included in the price. Please ask our spa coordinator if you have any questions.
- For your convenience, an 18% gratuity is automatically added to your service. This gratuity is paid in full to your service provider(s).
- Gratuities are never an expectation but always appreciated.
- Gratuities comprise an important portion of your service provider's income, and it is a nice way to say "thank you" for personalized attention. For non-medical treatments, a range of 15-20% is customary. Please note that a 15% gratuity will automatically be added to any service of \$150 dollars or more.
- Gratuities for outstanding service are not included in the treatment cost and are welcome at your discretion.
- Gratuities have not been included in the spa services and are left solely to your discretion. Standard consideration is 15-20% of the fee for each spa service received.
- Gratuity is not included in individual service pricing and prices are subject to change without notice. To provide a seamless experience for our guests, a 20% service charge, which is modifiable, will be added to your treatments. However, for all packages, this service charge is included in the listed price.
- Groups of 10 have an automatic 18% gratuity.
- If you so desire you may add an additional gratuities to your service.

- It states on each voucher that for their convenience a 15% gratuity has been added. They may change it as they prefer.
- Our members can either leave a cash gratuity or charge it to their account. A suggestion of 18-20% percent is provided upon check out.
- Prices are exclusive of service charge (gratuity). A 20% service charge will be added to the price of your service(s).
- That tipping it at the discretion of the guests.
- The service charge is not a tip or gratuity. It is paid to your therapist in full as part of their compensation. If you would like to add gratuity it is at your discretion.
- Tips on tipping - our staff makes every effort to see that your week is a total delight.
- We advise the guest that a 21% service charge will be added to the final bill for their convenience.
- We ask if they want to adjust the gratuity at check out.
- We believe a gratuity should be a personal decision between the guest and her therapist and not demanded nor standardized and automatically charged. The guest is free to decide what if any gratuity will be given. We believe that is most fair.
- We used to have an automatic 18% gratuity, however, about four years ago we removed that and now it's a discretionary gratuity.
- <http://segolilyspa.com/about-sego-lily/spa-etiquette/>
- <http://www.reddoorspas.com/customer-service/how-spa>
- http://www.chocolatespa.com/assets/pdf/spa_brochure.pdf

On average, approximately what percentage of a massage therapist's annual income is derived from gratuities at your spa?



Respondents were asked to identify their company's greatest challenge when it comes to gratuities. A sample of responses provided is below.

- A guest says they will come back and leave it and they don't.
- About union politics.
- Associate perception that gratuities are an entitlement.
- Avoiding the additional cost to the company of allowing gratuities to be placed on credit card sales without inconveniencing our guests.
- Cash tips vs. credit card tips.
- Communicating the 22% is a service charge which the staff gets 15% of.
- Confusion of service charge and gratuity.
- Confusion with packages.
- Consistency.
- Customers with gift certificates are not always aware of the custom of leaving a gratuity at a spa.
- Dealing with the occasional lack of tipping and the therapists' sadness as they try to determine what they did wrong. Usually it is just lack of funds not a problem with the service.
- Declined credit cards, also guests will tell the provider they will leave something and then don't.
- Declaration for cash tips.
- Distributing among employees.
- Distribution on cash gratuities in a timely many due to our locked system. Usually a 2 day turn-around.
- Educating international guests that it is common practice in the U.S.

- Educating people about spa gratuities.
- Educating therapists that gratuities do not equate with quality of service. Gratuities equate with the guests relationship with tipping.
- Encouraging additional gratuity to the 20% service charge.
- Explaining difference between service charge and gratuity.
- Foreign guests sometimes feel it is rude to add gratuity before having a service.
- Foreign guests that typically aren't accustomed to tipping.
- Foreigners do not like to have their service charge already included. Most guests are aware through scheduling, brochure, website information that we include 20% service charge not gratuities since it implies that is at the guest discretion.
- Getting guests to leave one after service is over. They pay in the beginning and have to come back up if they don't leave one up front which most do not.
- Getting the staff to understand that it's optional, not required of clients.
- Gift certificates.
- Guest understanding of full service charge policy based on retail price even on discounted services.
- Guests cancelling their service, so therapist does not receive gratuity.
- Guests feeling like it is a requirement; helping guests understand and ensuring receptionist verbiage is accurate.
- Guests not knowing how much to tip...it tends to be based off our recommendation of common tipping.
- Guests not reading policy - on website, posted at front desk. Leaving less than a 15% overall gratuity when happy with services.
- Guests think leaving a 10% gratuity is appropriate even though they loved their treatment.
- Guests want the choice. Service charges is an antiquated practice that needs to go away.
- Guests who chose not to leave them regardless of the good service.
- Having staff realize that gratuity is optional & extra, not expected. That they have no right to complain about the handful that don't tip , when on average most do & many leave more than the 20%
- Hawaii attracts guests from overseas; different culture has different way to look at gratuities.
- Helping guest understand that the service charge will be applied to the value of the service(s) received, not the discounted or special package price. We make a point to inform this at the time of booking, and the "fine print" is posted on the website along with all pricing. Also considering to start charging the guest a portion of the therapist's lost gratuity if the booking is canceled within 1 or 2 hours of the start time.
- I allow charging on the credit card of gratuities and I pay the charges.
- If the guest is unhappy with service they do not want to leave 20%. Also complaints about the service cost and additional gratuity on top.
- Increase in guests disputing the automatically added gratuity.
- International guests/cultural differences.
- Keeping it discreet and professional.
- Keeping the verbiage clear and separate from "service charge".
- Making sure the guests understands it already added in at the end and an additional gratuity is not necessary unless they would like. If we don't disclose on the front end and they leave a cash "tip" they get upset at check out and ask the 20% be removed- which we then lose the 2% for the support staff.
- None - our guests are relatively gracious and provide the recommended 20% gratuity.
- None, some guests do not read the menu or check out at desk so they feel like they are not told about the gratuities but it is spelled out for them on menu and at checkout of spa.

- None, we have a good system in place and the guests know they cannot get cash back off their cards. The service providers also all know the policies so it works without issue.
- None. Our guests are very generous at check out. For large groups we set the standard up front in the contract process for a 20% gratuity on all services. For individual guests the front desk staff will inquire on the gratuity at check out.
- None. Policy works well. Need to inform guest upfront about service charge and gratuities.
- Not everyone would leave a gratuity but that's part of the risk of having a discretionary one. It allows the therapist to get a higher one from guests that are really happy but it also subjects them to the risk of not getting any from other guests. Processing gratuities through payroll was a headache and increases the payroll cost, so we are now paying them out every couple days, which makes for another logistical challenge but the therapists are getting the money immediately.
- Our greatest challenge is when our customers prepay for their service, they don't like making a separate transaction for gratuities after the service is completed.
- Our greatest challenge would be the guests who do not understand that part of a therapist's income comes from gratuities.
- Our system is not set up with a chip and pin system so we have to ask guests what they would like to leave for a grat. They cannot just add it on at their discretion when paying their bill (as you would leave a grat in a restaurant for example). Some guests don't like that.
- Paying credit card fees on gratuities and the spa's share of employment taxes.
- People who do not want it included.
- Receiving gratuities on a discounted treatment.
- Reconciling them to payroll for tax purposes.
- Service provider reporting.
- Service providers thinking they could make more without automatic service fee.
- Since massage therapists do not want tips to go onto the bill and only want to accept cash, including in bill (such as restaurants with groups over 6), they reduce the possibilities for themselves. Also, guests do not always have the cash on them and do not want to visit an ATM or may only have small amount of cash on them and give that which may be substantially smaller.
- Some guests find it offensive. Also, it makes therapists lazy.
- Some guests still do not appreciate the service charge and feel like we are trying to educate them on proper etiquette. It takes guidance to those guests to make sure that they feel the service charge is appropriate.
- Some of the guests receiving promotional offers to do not want to leave gratuity based on the full value of the treatment.
- The front desk staff feels very awkward asking guests if they would like to leave a gratuity for their service provider. We're trying to come up with a more graceful way to let our guests know that gratuities are not automatically included.
- There is a blanket 20% service fee applied to all services at the resort so there is little conflict as the expectation is already set. There is the occasional guest that does not agree with the automatic gratuity.
- Thinking the owner shouldn't be tipped
- Tip too little.
- To insure prompt service. At all times.
- We ask, at checkout, if the guest would like to 'close out the order at \$x' because we don't want to ask for a gratuity. Some guests don't take the hint and then we have to run an additional transaction for gratuity only.

- We do not have an automatic gratuity charge. But many other outlets in our property do. So there can be confusion.
- We don't have any challenges, but since we implemented the auto-gratuity our providers are averaging much higher rates. The average was 10-12% gratuity rates before the auto-gratuity.
- We don't have many challenges at all- our system works well - we confirm guests service and time when they check in, they sign and we take payment- including 20% service charge. We do not post the charges until after their service is complete. The guest can stop by after if they need to make any changes, however if there are no changes they do not need to return to the desk. Maybe 1 out of 200 guests complains that they don't want to tip upfront, in those cases we tell them they can cross out the service charge and come back when they are finished to apply it, it works well.
- We don't have many challenges regarding gratuities.
- We don't see many issues with it. In fact, many guests add additional gratuity on top of the automatic gratuity. European travelers are grateful as they are typically unsure of what our custom is.
- We encourage our guest to give 20% of their total bill. 90% of our guest are good with that due to not knowing how much is customary.
- We have a 99% gratuity rate. We ask every client and provide a recommended tip guide at the front counter.
- We have resort guests sign their voucher in the room right after a treatment. This can be awkward for both guest and therapist. It is the best way we have found to capture the correct room charge signatures.
- We offer 401K and we are legally bound to pay 3-5% to employees on their total earnings which makes it quite financially challenging - as we also allow gratuities to be included on our credit cards. Hence, we pay a high rate when receiving the gratuity, we pay taxes on the gratuity, we then payout a percentage back to employees in their benefit of 401K.
- We would actually like to find a way to charge a price that includes gratuities and eliminate this from the conversation.