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ISPA U.S. SPA INDUSTRY STUDY

INTERNATIONAL SPA ASSOCIATION



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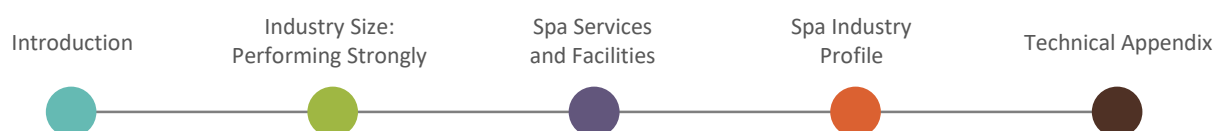
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Introduction

This report presents the findings from the 2018 U.S. Spa Industry Study. The study was commissioned by the International SPA Association (ISPA), and conducted by PwC Research.

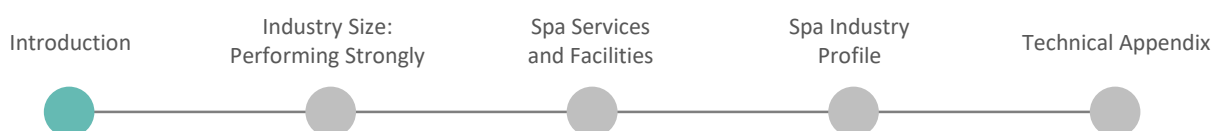
Established in 1991, ISPA has been recognized worldwide as the professional organization and voice of the spa industry, representing health and wellness facilities and providers in more than 70 countries. Members encompass the full spectrum of the spa experience, from resort/hotel, destination, mineral 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.

This 2018 study marks the nineteenth anniversary of the Spa Industry Study which was first conducted in 2000 highlighting the spa industry in 1999. The study has been conducted on an annual basis since 2010, most recently the 2017 study. Prior to 2010, industry studies were also conducted in the years 2002, 2004, 2006 and 2007. Shorter tracking studies were commissioned in 2003, 2005, 2008 and 2009.

This report presents the state of the industry in 2017, as indicated by total revenues, spa visits, average revenue per visit, the number of spa locations and staffing levels. These are referred to as the 'Big 5' statistics. The information required to compile the 'Big 5' statistics was collected through a large nationwide survey of spa businesses which was conducted in spring 2018.

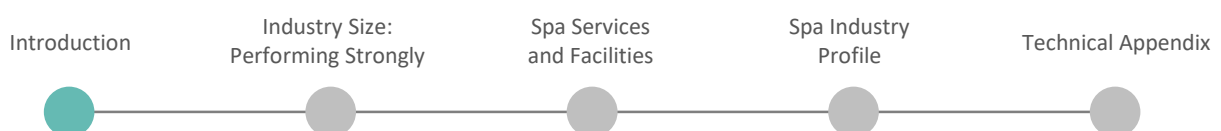
The 2018 Survey also collected information on a range of employment related issues, including: compensation levels of full-time employees in the spa industry; compensation structures for service provider employees (estheticians, massage therapists and nail therapists); and unstaffed positions. Those topics are the subject of a separate supplementary report, which is provided only to survey respondents.



Research Objectives

The research objectives of the 2018 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:
 - Number of establishments;
 - Revenues;
 - Number of visits;
 - Revenue achieved per visit; *and*
 - Employment.
- Estimate the growth rate of the industry.
- Determine current and future industry trends and challenges.
- Develop a profile of the U.S. spa industry using criteria such as regional distribution, spa type, ownership structure and service/product offerings.
- Evaluate compensation levels of full-time employees within the spa industry. A separate supplementary report has been prepared on this topic.
- Manage the ISPA database of key industry statistics.



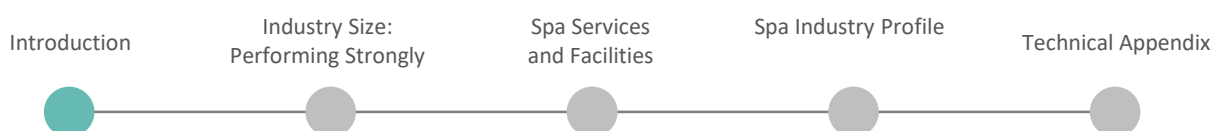
Definitions

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 located within a resort or hotel.

Throughout the report data is analyzed by type of spa. Day and resort/hotel 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.



Structure of Report

The remainder of the report is structured as follows:

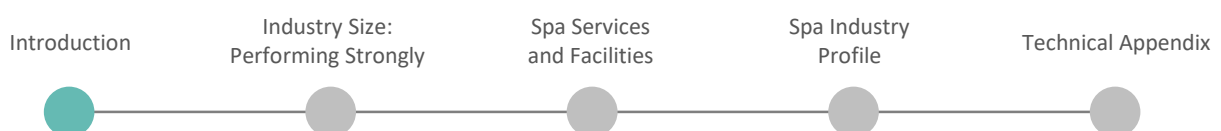
Section 2 Industry Size – Performance and Prospects: This section provides an industry level overview and begins with the estimated 2017 out-turn for the 'Big 5' statistics. It then reviews recent trends in key business indicators before concluding with a look ahead to 2018, including respondents' plans for 2018 and their views on the main issues facing the U.S. spa workforce today.

Section 3 Spa Services and Facilities: This section presents a picture of the facilities and services that spas offer to their visitors. This section comprises four main parts, including the range of services and treatments offered by spas, the retail component and the programs and treatment offerings that spas had in place in 2017.

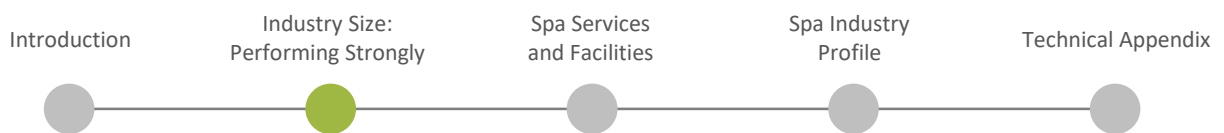
Section 4 Spa Industry Profile: This section presents a profile of spa establishments, including composition by type of spa, size differences and the geography of the industry.

Section 5 Technical Appendix: This section contains further more detailed information on how the survey was undertaken.

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



Section 2 | Industry Size: Performance and Prospects



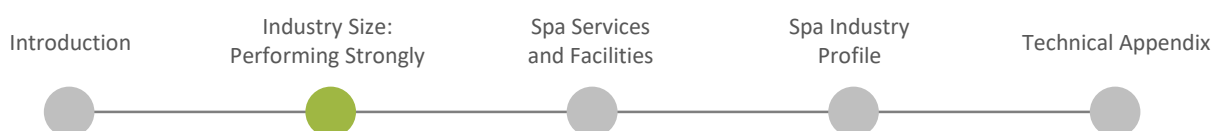
Section 2: Introduction

This section presents the survey findings for the size of the U.S. spa industry.

The following topics are addressed:

- What is the size of the spa industry in the U.S., as measured by revenues, visits, locations and employment?
- What is the average revenue per client visit?
- What are the more recent trends in client visits, spending per client visit, revenue and staffing?
- How did the sector perform in terms of profitability in 2017?
- Looking ahead – what do spas plan to add or create to improve the business in 2018? What do the survey respondents believe are the main issues facing the U.S. spa workforce today?

This section commences with an overview on the national economic context, especially the pace of growth in the U.S. economy during 2017 and into the first quarter of 2018.



The Economic Context

Across a range of indicators, U.S. economic growth was modest in 2017 but the signs point to a more buoyant 2018.

As measured by the Gross Domestic Product (GDP), in 2017 the U.S. economy grew at a modest pace of 2.2%, up from 1.6% in 2016, marking the eighth successive year of economic expansion. More recently, through the first half of 2018, the pace of growth would appear to have picked up, most notably in the second quarter when the economy is estimated to have grown at an annualised 4.1%.

Employment continued on an upward trajectory, rising by 1.6% in 2017. New jobs continued to be added in the first two quarters of 2018, at an annualised rate of 1.6% in both the first and second quarters. Against a backdrop of strong demand for labor, the unemployment rate continued to fall. By mid-2018, the unemployment rate was estimated at just 4%.

Reflecting the growing numbers in work, compensation of employees rose by 4.5% in cash terms in 2017. While personal consumption expenditure on services has been sluggish, up 2% in 2017 in real terms (after adjusting for inflation), the most recent data point to an uptick in the rate of expenditure on services, rising to an annualised 3.1% in the second quarter of 2018.

With demand pressures rising, inflation has also picked up, with the Consumer Price Index ticking up from 2.1% in 2017 to an annualised 2.9% in the second quarter of 2018.

The U.S. economy:

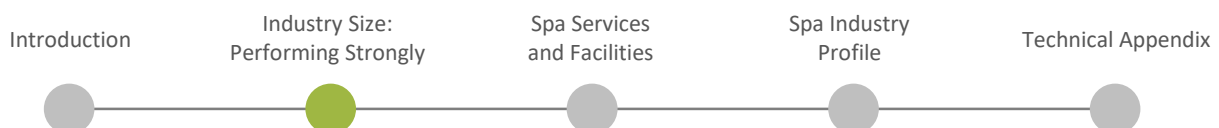
Selected indicators, annual percent change

	2016	2017	2018(Q1)	2018(Q2)
GDP (Constant 2009 \$)	1.6%	2.2%	2.2%	4.1%
Employment	1.8%	1.6%	1.6%	1.6%
Unemployment	4.9%	4.4%	4.1%	4.0%
Compensation of Employees				
Current \$	2.7%	4.5%	5.4%	4.1%
Personal Consumption Expenditure *				
All services				
Current \$	4.7%	4.5%	3.6%	5.7%
Constant (2009) \$	2.3%	2.0%	1.0%	3.1%
Consumer Price Index				
All items	1.3%	2.1%	2.4%	2.9%

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 2018. Rates shown in constant (2009) \$ are adjusted for inflation.



The Big 5 Statistics: 2017 Out-Turn and Percent Change Over 2016

Each of the Big 5 statistics registered positive growth in 2017.

Spurred by a 4.3% expansion, total spa industry revenue is estimated to have passed the \$17 billion threshold for the first time, rising from \$16.8 billion in 2016 to \$17.5 billion in 2017.

In 2017, the number of new spa openings exceeded spa closures by over 500, pushing the total number of spa locations up from 21,260 in 2016 to 21,770, a rise of 2.4%.

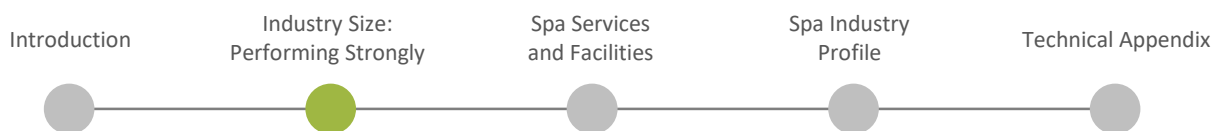
Spa visits rose by 1.6%, reaching 187 million in 2016.

The average revenue per visit increased to \$93.70, representing a 2.7% advance on the 2016 average of \$91.30.

Total employment is estimated to have grown ahead of the national trend, up by 1.9% to 372,100. Spas added part-time employees at a faster pace (5.7%) than full-time jobs (3.1%). The number employed on a contract basis remained on a downward trend, with the rate of decline accelerating to -22%.

	2016 (Year End)	2017 (Year End)	% Change
Revenue	\$16.8 billion	\$17.5 billion	4.3%
Spa visits	184 million	187 million	1.6%
Locations	21,260	21,770	2.4%
Revenue per visit	\$91.30	\$93.70	2.7%

	2017 (May)	2018 (May)	% Change
Total Employees	365,200	372,100	1.9%
Full-Time	165,800	170,900	3.1%
Part-Time	164,500	173,900	5.7%
Contract	35,000	27,300	-22.0%



Spa Establishments

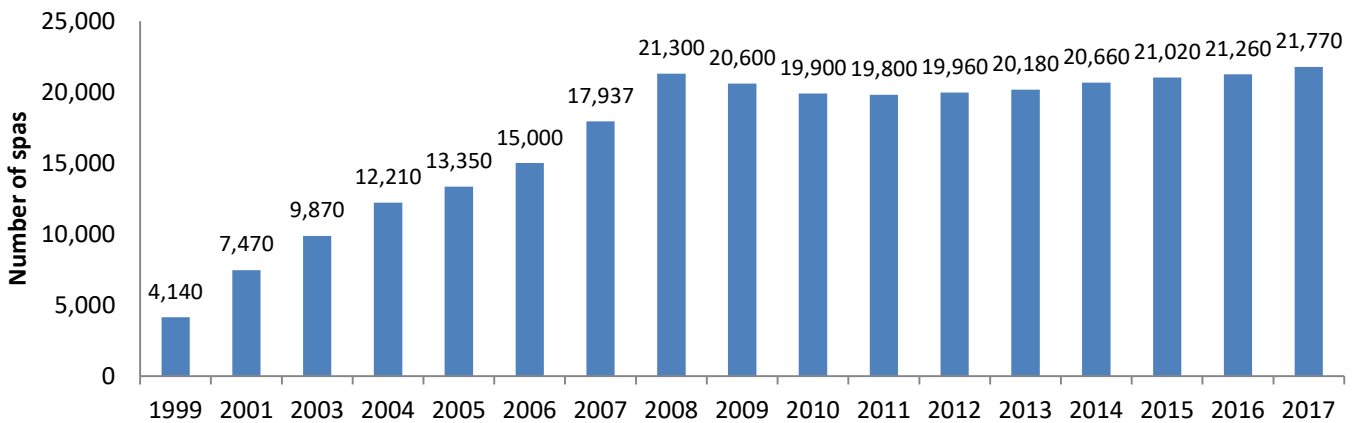
In 2017, the rate at which new spas opened (5.1%) out-stripped the closure rate (2.7%), leading to a net 2.4% increase in the number of spa establishments. The increase in new spa establishments would suggest a growing confidence in the industry's prospects.

The number of spa locations is estimated to have risen from 21,260 in 2016 to 21,770 by the end of 2017, an increase of 2.4%.

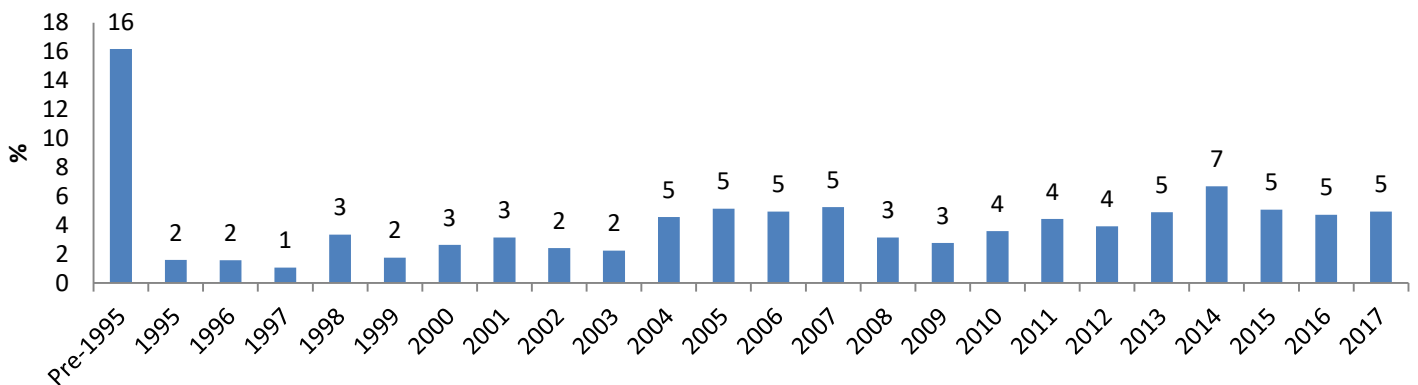
The increase in the number of spa locations reflects the excess of new spa openings over closures of existing spas.

In 2017, there were an estimated 1,080 new spa openings, adding 5.1% to the number of spas in operation at the end of 2016. The new spa openings were partly offset by an estimated 580 spa closures over the course of 2017, representing 2.7% of the end-2016 stock. The net effect was the addition of around 500 spa locations during 2017 (+2.4%).

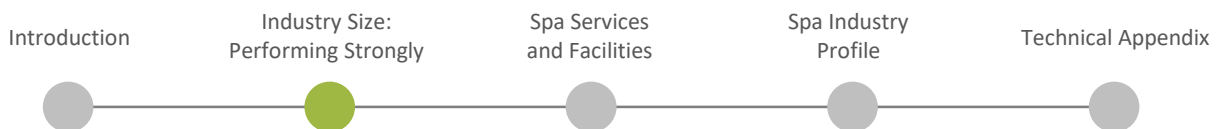
Total spa establishments in the U.S.



Year spa opened



Note: Year spa opened based on responses to 2018 survey.



Establishments by type of spa

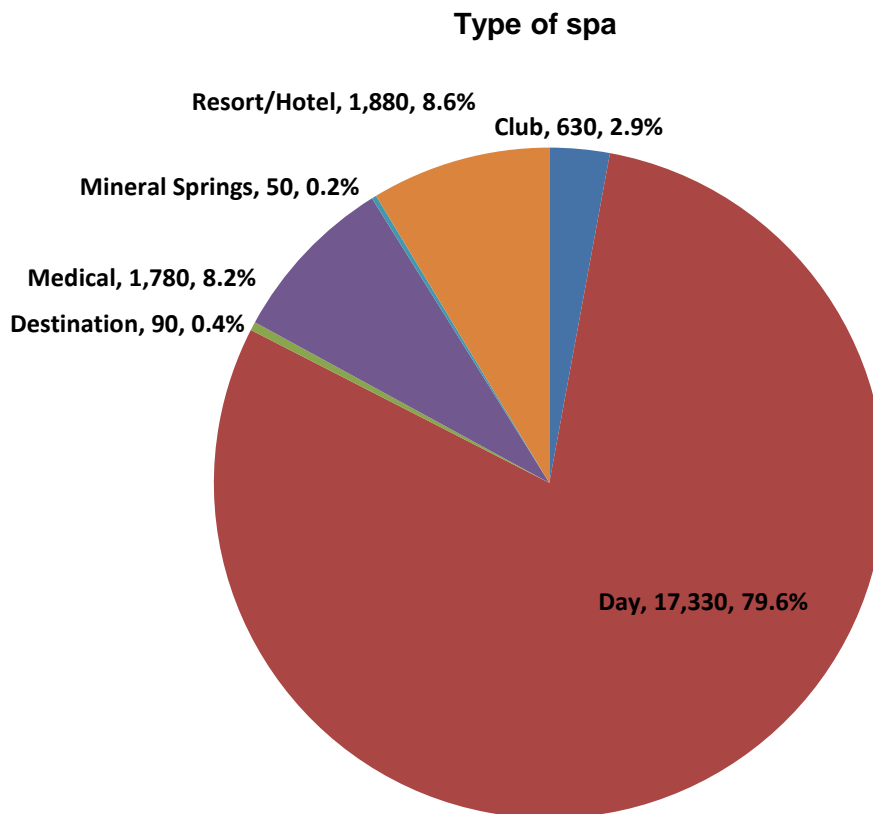
Day spas continue to predominate within the spa industry, accounting for close to 80% of the total of 21,770 establishments, followed by resort/hotel (9%) and medical spas (8%).

According to the latest industry study estimates, there are now over 17,300 day spa establishments operating across the U.S., an increase of 2.5% compared to the 2016 estimate (16,900).

The number of resort/hotel spas at the end of 2017 is estimated at 1,880, representing a rise of 2.7% on the 2016 level (1,830).

The number of medical spas is estimated at 1,780, a rise of 1.1% compared to 2016.

Club spa locations are estimated to have risen to 630, a growth of 3.1% compared to the number of such spas in 2016.



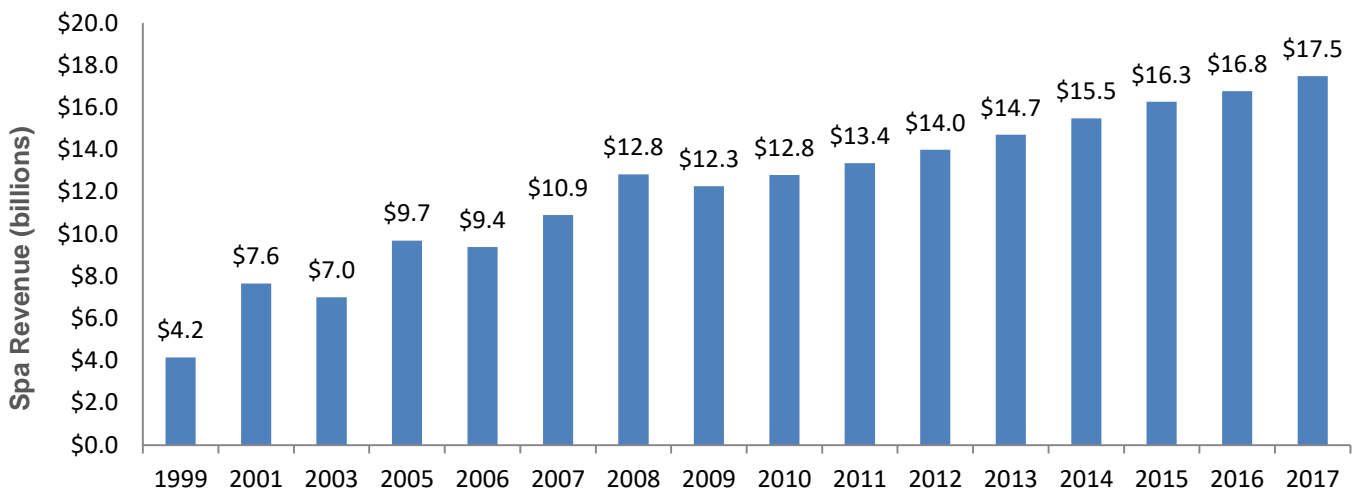
Spa Revenues

Total spa revenues for 2017 are estimated at \$17.5 billion, an increase of \$0.7 billion (+4.3%) on total revenue in 2016 (\$16.8 billion).

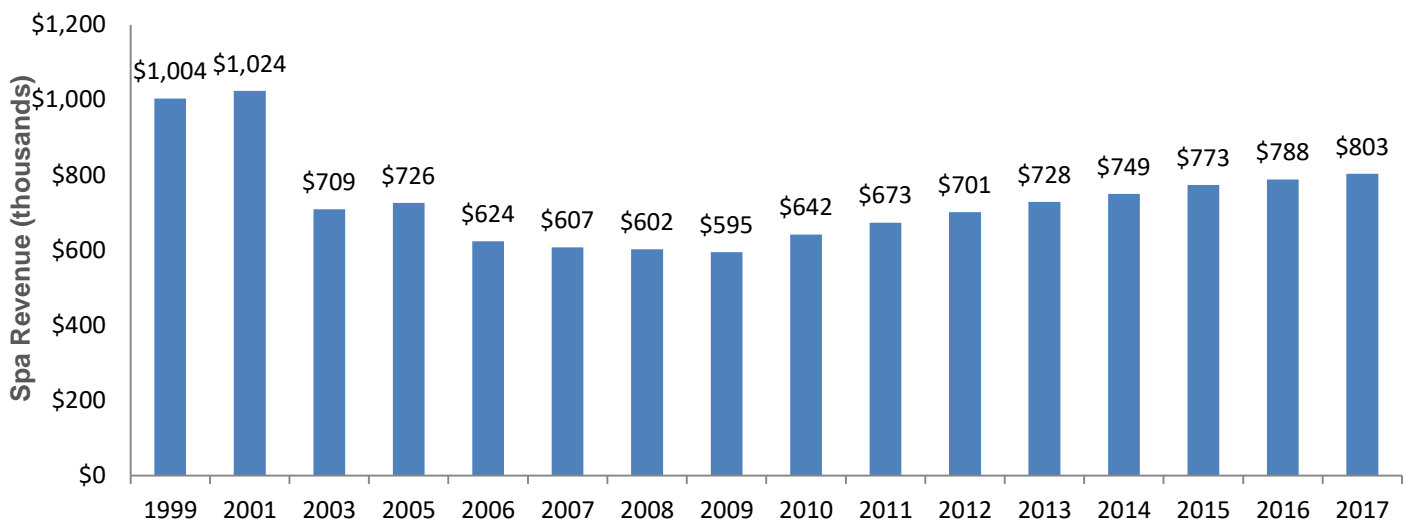
The growth in spa revenues represented an improvement on the 2016 out-turn, when revenues grew by 3.1%. With revenues growing for eight successive years, spa industry revenues have passed the \$17 billion threshold for the first time and are now 43% higher compared to the 2009 downturn (\$12.3 billion)

Average revenues per spa location rose to \$803,000 in 2017, an increase of 1.9% on the 2016 average of \$788,000. With average revenues now passing the \$800,000 mark, the 2017 out-turn represents a further steady advance for the industry.

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



Average revenue per establishment (thousands)



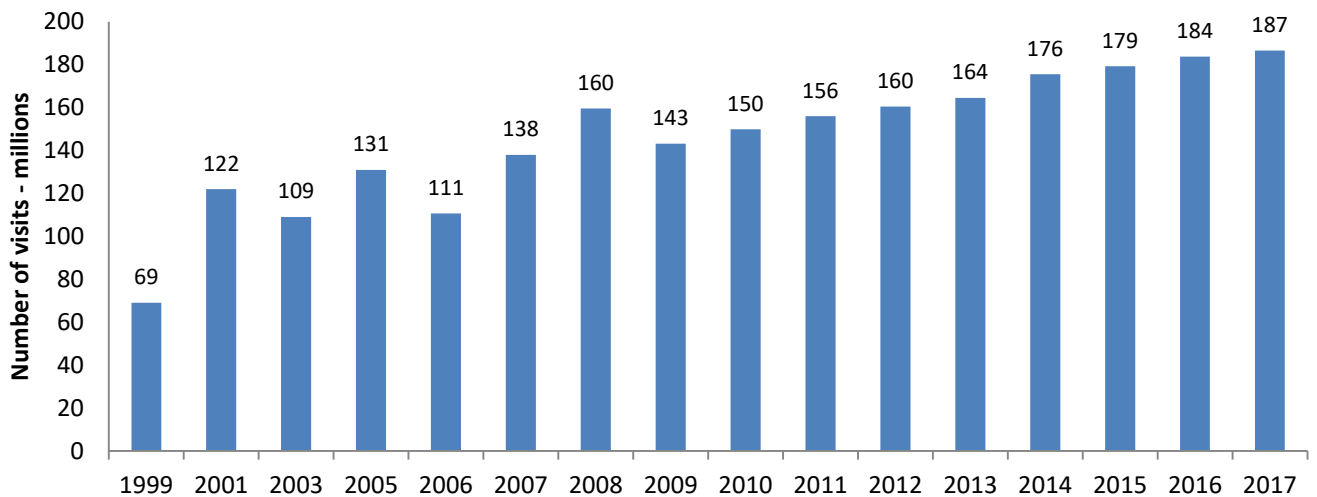
Spa Visits

The total number of visits to spa establishments is estimated to have risen from 184 million in 2016 to 187 million in 2017.

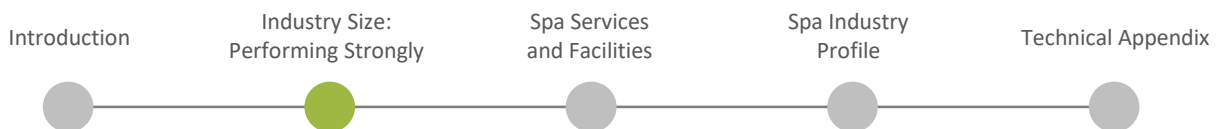
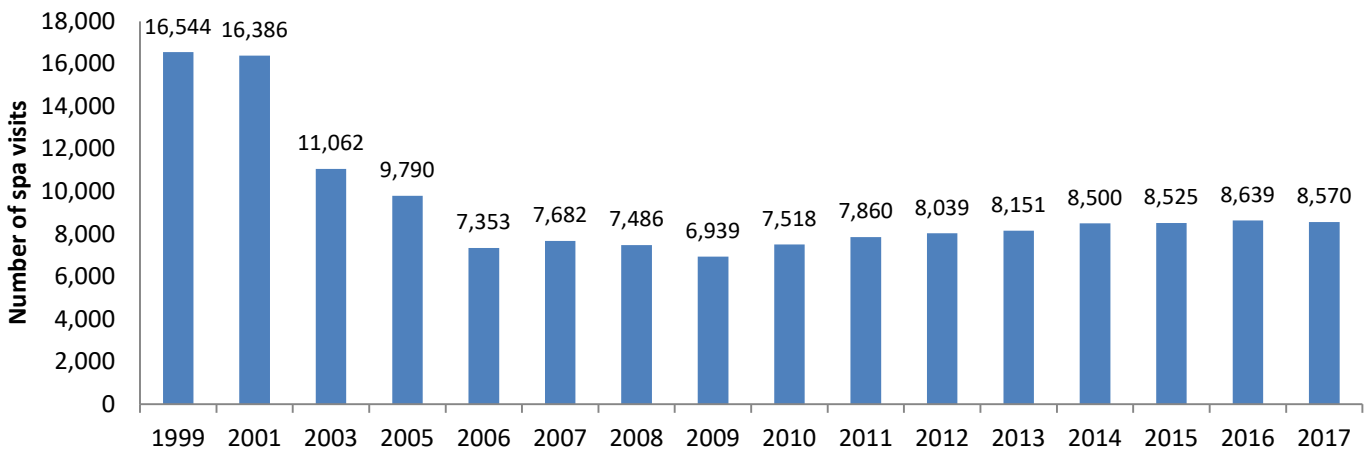
In 2017, total spa visits were 1.6% higher than in 2016.

With the number of spa establishments growing by 2.4%, ahead of the increase in visits, the average number of visits per spa declined slightly, falling to 8,570 in 2017 compared to 8,639 in 2016 (-0.8%).

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



Average visits per establishment



Average Spa Revenue Per Visit

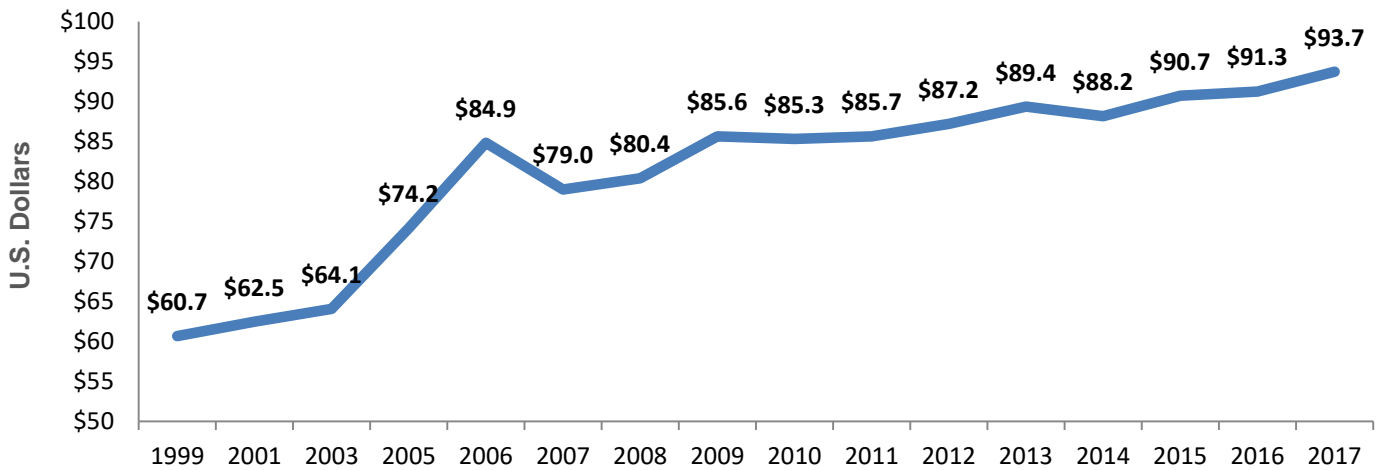
The average revenue per visit in 2017 is estimated at \$93.70, an increase of 2.7% on the 2016 out-turn.

The 2.7% increase in the average spa revenue per visit represents an improvement on the 0.6% increase recorded in 2016.

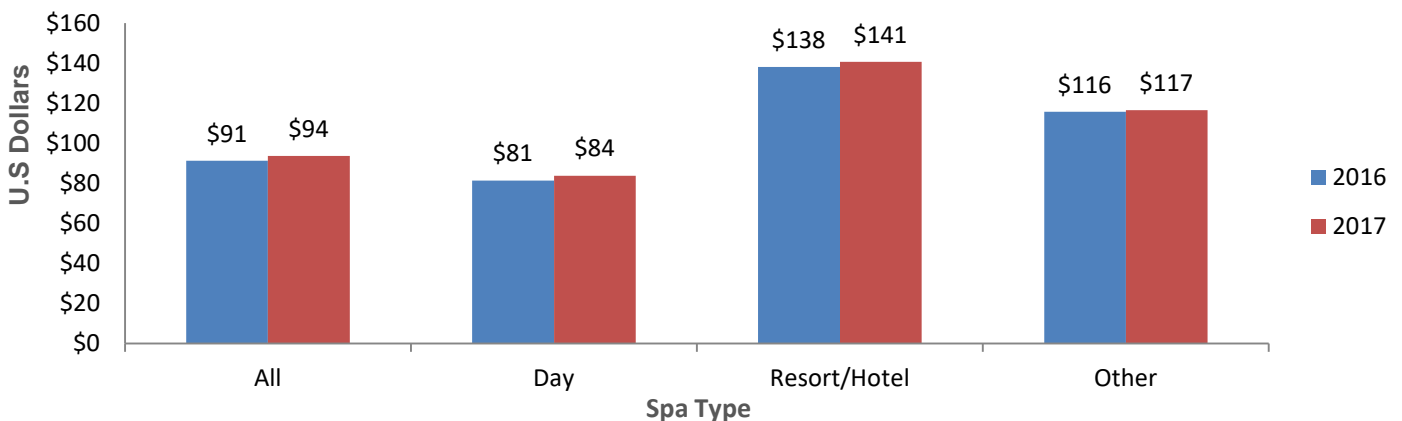
Average spend per visit also varies by spa type, ranging from \$84 for day spa visits to \$141 for resort/hotel visits. Compared to 2016, day spas are estimated to have seen a 3% rise in average revenue per visit with resort/hotel spas posting a 1.9% rise.

The average amount that clients spend when they visit a spa is influenced by a range of factors, including the mix of services and treatments that clients purchase and the pricing of those services in a competitive market. Nonetheless, it can be seen from the historical trend that the per-visit average has been moving in a broadly upward direction. Over the past five years (2012 to 2017), spa revenue per visit has averaged growth of 1.5% per annum.

Average revenue per spa visit (\$)



Spa revenue per visit



Employment

Overall total employment is estimated to have risen to 372,100 as at May 2018, a rise of 6,900 (+1.9%) compared to the same period in 2017 (365,200).

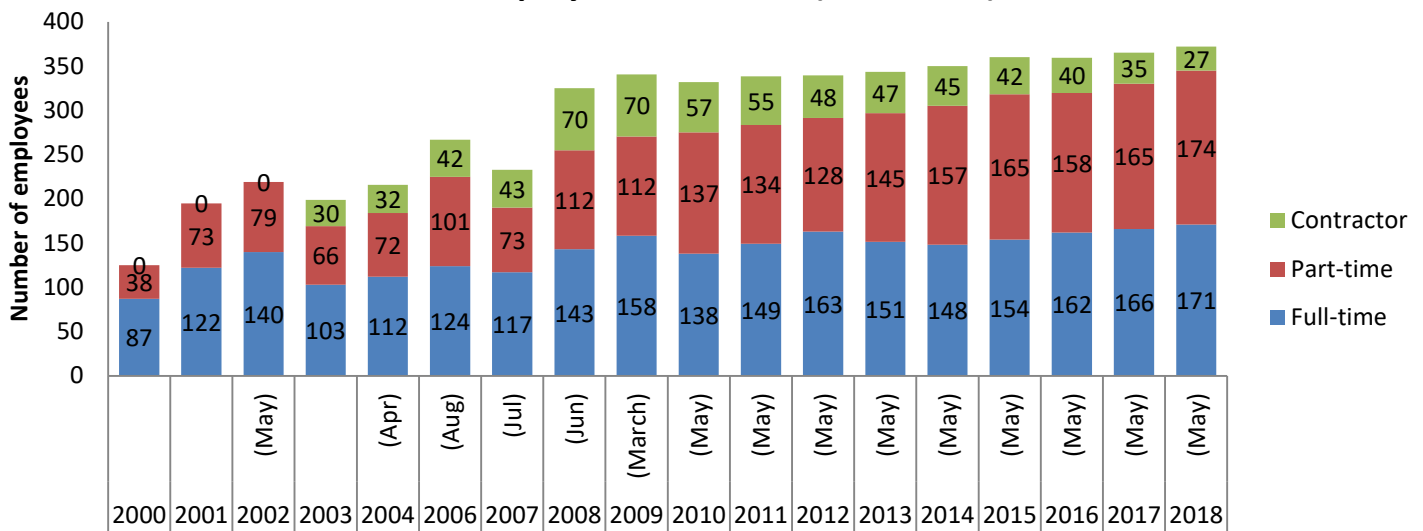
The number of full-time employees is estimated to have risen from 165,800 in 2017 to 170,900 in 2018, a net increase of 5,100 (+3.1%). The part-time employee count is estimated to have risen at a faster pace (+5.7%), with a net number of new hires adding 9,400 to the spa workforce.

The number of part-time workers is estimated to have risen from 164,500 in 2017 to 173,900 in 2018. In recent years, the part-time workforce has tended to grow more quickly than the full-time complement so that, as of May 2018, the number of part-time workers exceeded the number of full-time employees, albeit by a relatively small margin (3,000, representing 0.8% of the full spa workforce).

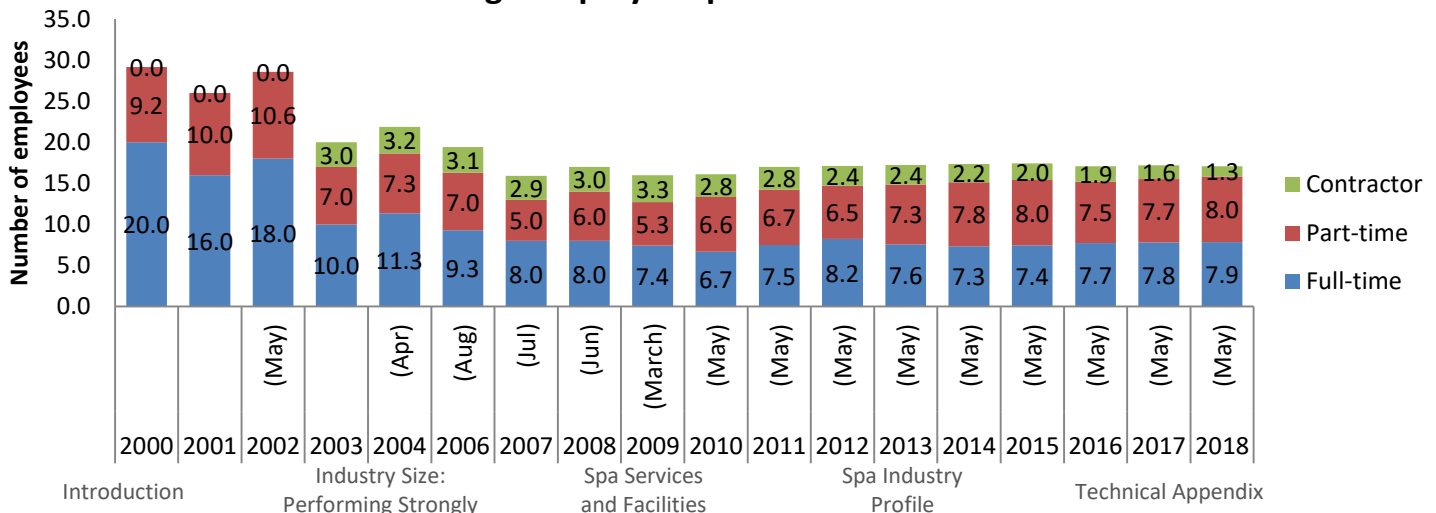
The number of independent contractor positions is estimated to have declined over the period from May 2017 to May 2018, from 35,000 to 27,300 (-22%). The reduction in the share of employment filled by independent contractors reflects an ongoing trend, evident since 2010. That trend has accelerated in more recent years. It is possible that some part of the growth in full- and part-time employees is a reflection of the reduction in the number of contractors that spas consider to be part of their workforce.

Note: On average, spas consider service providers need to work 30 or more hours per week to be considered a full-time employee.

Total employees in the U.S. (thousands)



Average employees per establishment



Introduction Industry Size: Performing Strongly Spa Services and Facilities Spa Industry Profile Technical Appendix

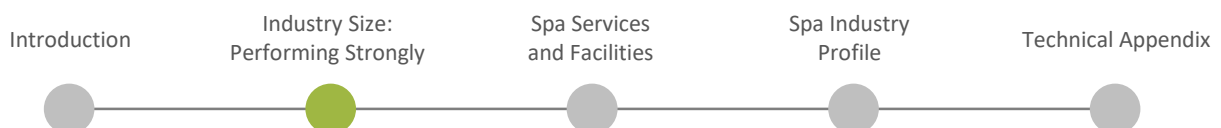
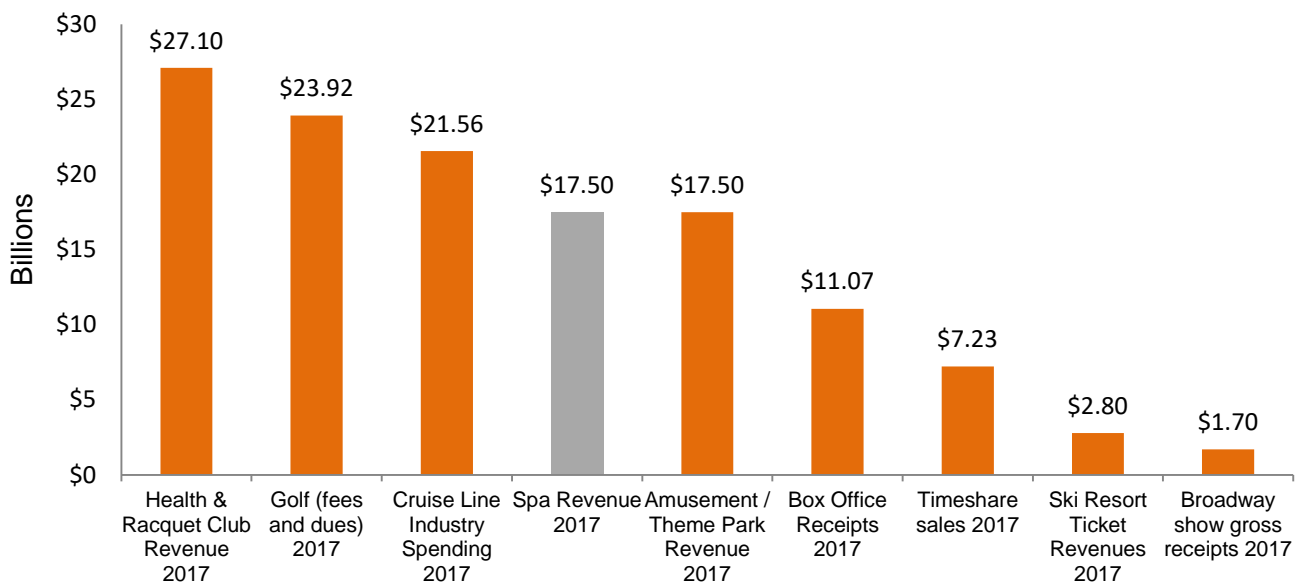


Comparative Size of the Spa Industry

The accompanying chart shows the size of the spa industry in 2017 compared with the estimated sizes of other U.S. leisure industries, as measured by annual revenues. With revenues of \$17.5 billion in 2017, the spa industry falls within the middle of the range of leisure industries shown below.

Based on the updated industry estimates, the 2017 ranking in revenue terms across the various leisure industries has remained broadly unchanged from the position in 2016.

Estimated sizes of U.S. leisure industries



Recent Demand Trends

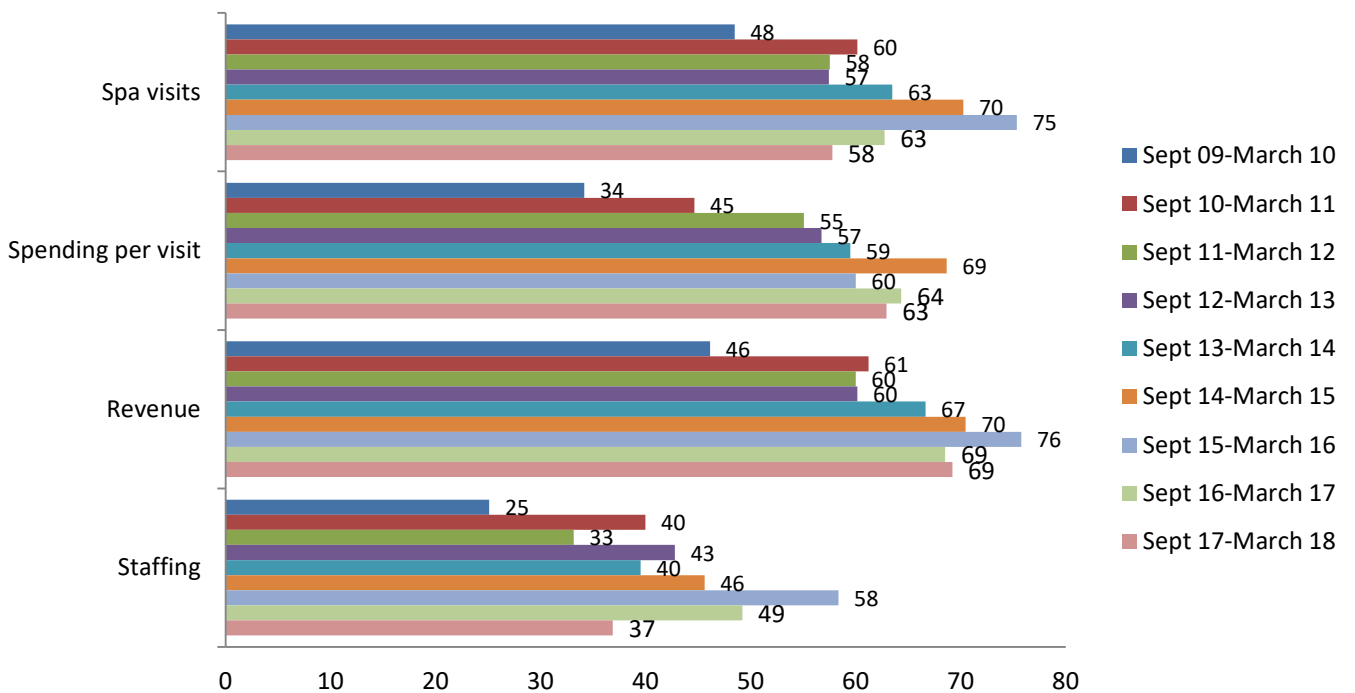
When asked about their more recent experience in the six months prior to the survey (September 2017 to March 2018), the survey results indicate that spa visits, client spending, revenues and staffing have remained in positive territory through the early part of 2018.

In order to gauge more recent trends in the industry, survey respondents were asked to say whether, in the period from September 2017 to March 2018, 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.

Overall, 58% of respondents said that spa visits had increased in the period September 2017 to March 2018, representing a lower proportion of spas when compared with the six-month period through March 2017 (63%). Similarly, 69% of spas said revenues had increased in the six month period to March 2018, unchanged from the same period in 2017. The proportion reporting an increase in spending per visit (63%) was also largely unchanged compared to the previous year (64%).

Summary of experience in the past six months (September 2017 to March 2018) compared to the same periods in 2009-2010, 2010-2011, 2011-12, 2012-13, 2013-14, 2014-15, 2015-16 and 2016-17

Experienced increase in past six months:



Recent Demand Trends by Spa Type

The survey results for recent demand trends by type of spa are shown in the table overleaf and summarized below.

The main point to note is that, on each of the indicators considered, more spas said they were experiencing an increase rather than a decrease compared to the same period 12 months previously. That is, the net balances in spa responses would suggest that the spa industry remains on a broadly-based growth trajectory.

Spa visits

In the six months from September 2017 to March 2018, 58% of spas said they had experienced an increase in the number of visits while 23% of spas reported a decrease, giving a positive net balance of 35% of spas reporting an increasing rather than decreasing trend in spa visits.

Client spending per visit

The majority of spas (63%) said that client spending per visit had increased in the six months to March 2018. Only 6% of spas said that client spending per visit was on a downward track. The net positive balance of spas indicating a positive growth trend was therefore 57%.

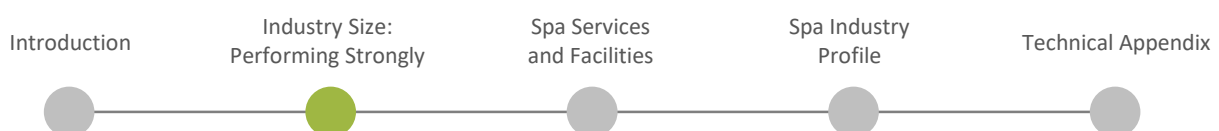
Revenues

Almost seven in 10 spas said that revenues had increased in the past six months compared to the same period one year previously (69%). Slightly more than one in 10 spas (14%) said revenues had decreased. Consequently, over half of spas (55%) reported a positive net balance on the revenue front, indicating that the industry remained on a growth trajectory through March 2018.

Staffing levels

Over one in three spas (37%) said they had increased staffing levels in the last six months compared to the same period in the previous year. A similar percentage said that their staffing levels had seen no change in the six months from September 2017 to March 2018 compared to the same period two months previously. One in four spas (26%) said their staffing levels were decreasing.

Staffing issues, including unfilled positions and compensation levels, are examined in greater detail in the Compensation Report, published separately.



Recent Demand Trends

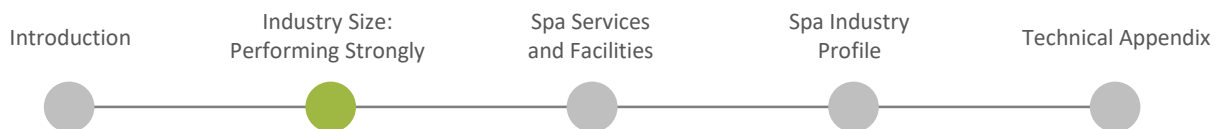
Experienced increase in past six months (September 2016 to March 2017):

Spa visits	All	Day	Resort/Hotel	Other
Decreased	23%	23%	29%	18%
No change	20%	23%	15%	3%
Increased	58%	55%	56%	79%

Client spending per visit				
	All	Day	Resort/Hotel	Other
Decreased	6%	6%	12%	3%
No change	31%	34%	18%	22%
Increased	63%	60%	70%	75%

Revenue				
	All	Day	Resort/Hotel	Other
Decreased	14%	12%	26%	16%
No change	17%	20%	8%	4%
Increased	69%	68%	66%	80%

Staffing levels				
	All	Day	Resort/Hotel	Other
Decreased	26%	25%	37%	28%
No change	37%	40%	28%	24%
Increased	37%	35%	35%	49%



Profitability

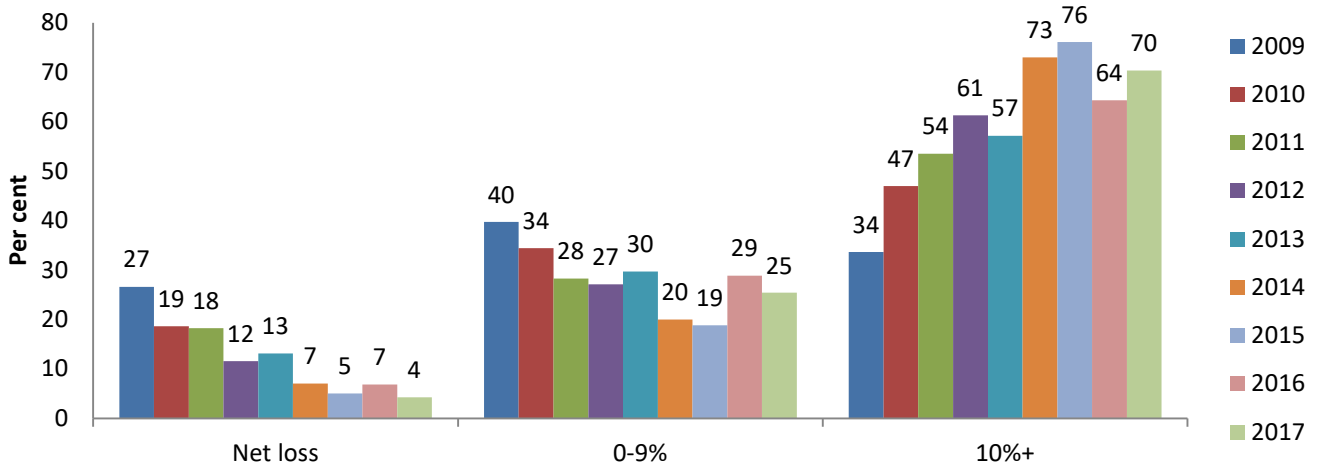
Excluding the resort/hotel sector, the profitability performance of spas in 2017 showed an improvement compared to 2016, with 70% of spas reporting a profit percentage of 10% or more, up from 64% in 2016. Just 4% reported a net loss in 2017, compared with 7% in 2016.

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 spa operation only and not the entire business. All other types of spa establishments were asked to give the approximate spa profit before fixed charges percentage.

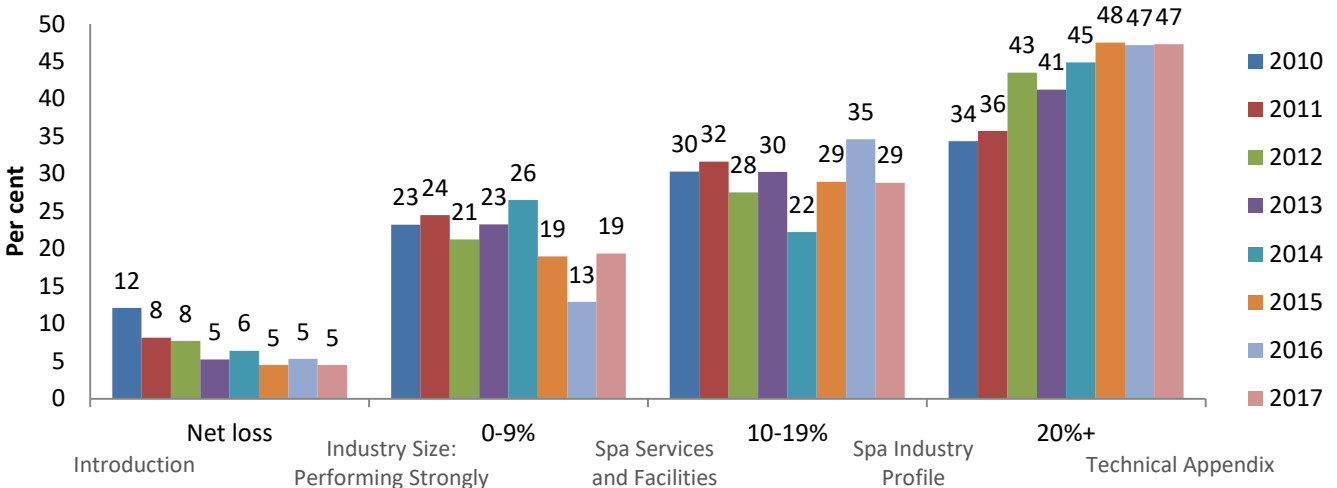
Excluding the resort/hotel sector, 70% of spas reported a 2017 profit percentage in excess of 10%, an increase compared to the 2016 out-turn, when 64% reported profits of 10% or more. There was a corresponding decrease in the proportion of spas with a more modest profit performance, in the range 0% to 9%, down from 29% in 2016 to 25% in 2017. The proportion saying they experienced a net loss also reduced, down from 7% in 2016 to 4% in 2017.

Within the resort/hotel sector, almost half of spas (47%) reported a spa profit percentage in excess of 20% for 2017, unchanged on the position in 2016.

Profit percentage before fixed charges - all spas (excl. resort/hotel)



Spa profit percentage - resort/hotel spas



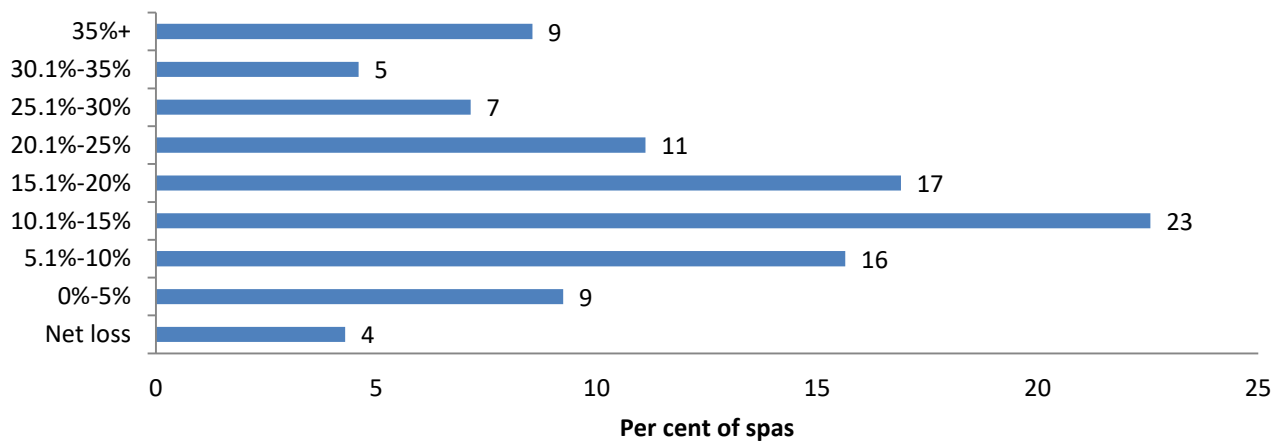
Profitability

The detailed profit percentage results indicate that, excluding resort/hotel spas, in 2017 two in five spas generated a profit percentage before fixed charges in the range 10.1% to 20%.

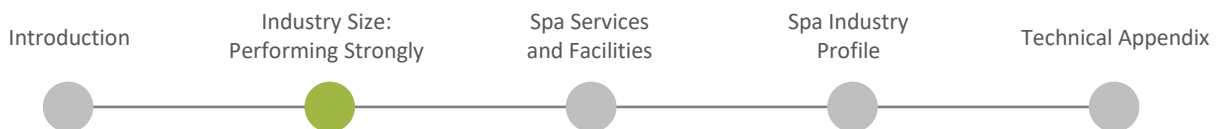
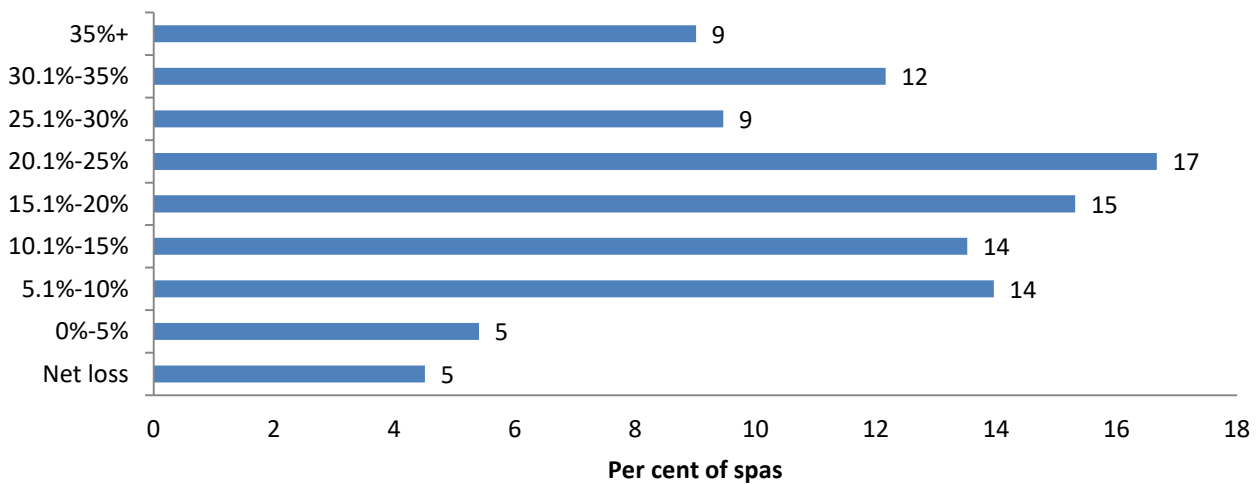
Among resort /hotel spas, almost one in three spas (32%) said their profit percentage was in the range 15.1% to 25%.

In both sectors, almost one in 10 spas (9%) reported a profit percentage of 35% or higher.

Profit percentage before fixed charges, 2017 - all spas (excl. resort/hotel)



Spa profit percentage, 2017 - Resort/hotel spas



Profitability: Recent Trends

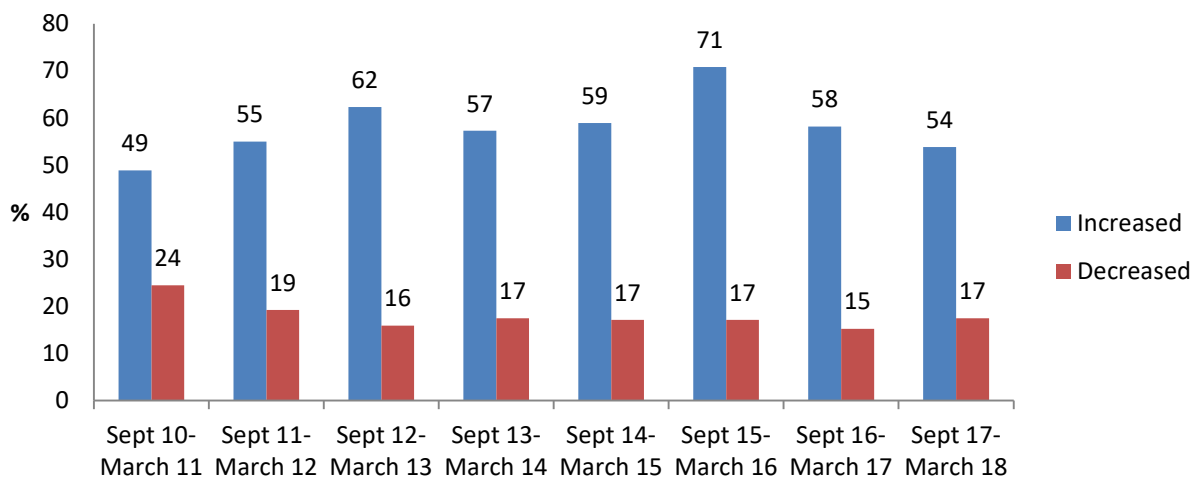
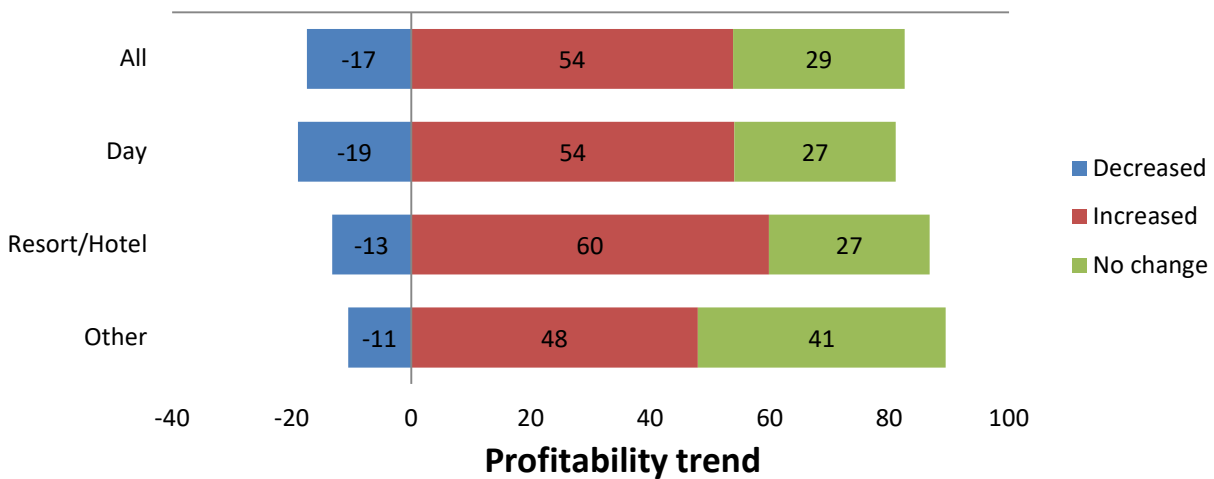
When asked about their more recent experience in the six months prior to the survey (September 2017 to March 2018), 54% of spas said that profitability had improved compared to the same period one year previously. Fewer than one in five (17%) said profitability was on a decreasing trend, giving a net positive balance in favor of an increasing trend of 37% (the gap between spas reporting an increase and those reporting a decrease).

The positive net balance in profitability was apparent across the different spa industry sectors.

The proportion reporting increased profitability over the six months September 2017 to March 2018 ranged from 54% in the day spa sector to 60% among resort/hotel spas (61%).

Relatively few spas said that profitability had fallen in the six month period, 19% of day spas and 13% of resort/hotel spas.

Profitability by spa type
Experienced in past six months (Sept 2017 to March 2018)



Looking Ahead: Plans for 2018

When asked about their plans for 2018, almost all spas (99%) said they were planning to add or create a range of improvements to their business.

Aiming to expand the range of choices available to their clients, three in five spas (60%) said they would be adding or creating new treatment offerings while almost one in two (45%) said they would be introducing new product lines and 28% planned the creation of a new spa menu. Resort/hotel spas were more likely than day spas to say they were planning one or more of those improvements, e.g. 71% of resort/hotel spas are planning new treatment offerings for 2018 compared to 57% of day spas.

Spas are also focused on strengthening their business through internally focused measures. A large majority of spas (59%) said they plan to introduce new or revised standard operating procedures. Almost one in four (24%) said they will introduce new spa management software.

Staffing and employee development also loom large in spas' plans for 2018, with 54% saying they intend to introduce new employee training opportunities while one in three spas stated their intention to create new jobs.

Client-facing and marketing issues are also on the agenda, with 43% of spas planning new community partnerships, 41% saying they will be introducing new promotions targeting the male audience and 18% of spas indicating an intention to introduce new spa branding.

Planning to add or create in 2018



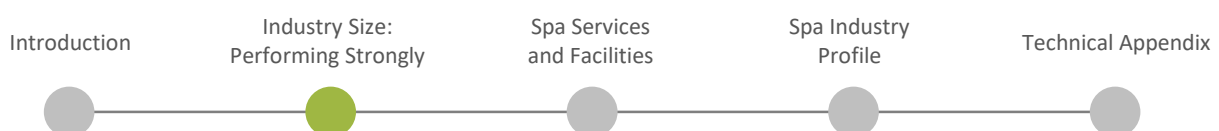
Looking Ahead: Main issue facing U.S. spa workforce

Survey respondents were asked to give their views on the main issue facing the U.S. spa workforce today. The following is a summary of their responses.

- Lack of qualified, experienced talent. This was far and away the single most important issue, cited in some form or another by 40% of respondents. According to those respondents, the number of qualified people is not matching the growth in the industry. This can mean difficulties meeting demand. Particular shortages are reported of massage therapists, but also nail technicians and people with management skills. Smaller spas, rural operators and those with more seasonal demand find recruitment particularly challenging. Many of the remaining issues mentioned by respondents are linked to their recruitment difficulties.
- Training. Issues around training and education were mentioned by one in eight respondents (12%). According to some respondents, supply school graduates are often not 'work-ready': "*Many of the schools for massage are not always training the students to work in spas.*" As a result, some spas said they have to spend time training new staff, which is difficult when budgets and time are already tight. There needs to be more recognition around career paths.
- Turnover. Problems around staff retention and high turnover were mentioned by 7% of respondents. "*Finding good massage therapists and keeping them. It can affect our revenue when we don't have enough staff*".
- Wages/payroll. Pay was mentioned by 5% of respondents, typically in two respects. On the one hand, some spas were concerned about rising wage costs. Conversely, some respondents felt that pay rates were not always sufficiently attractive to recruit and retain employees.
- Compensation structures. A number of respondents noted issues around how best to pay employees: "*Finding a compensation structure that is beneficial to both the spa and the employee*". This was mentioned by 4% of respondents.
- Regulations. Two issues were highlighted by respondents. A number of respondents mentioned issues such as differences between States in licensing regulations. Other respondents pointed to the impact of regulations around benefits. For example, it was stated that contract/part time staff not being regarded as full-time employees with health benefits is a barrier to hiring and keeping good people.
- Competition. Some respondents (4%) linked their recruitment difficulties to the growing number of spas and the resultant competition for staff.

Other issues that arose were:

- Self-care and staying healthy for therapists and service providers, especially as they get older.
- Need for training and development of managers



Key Points Summary

The economic context

Across a range of indicators, economic growth was modest in 2017 but the signs point to a more buoyant 2018.

As measured by the Gross Domestic Product (GDP), in 2017 the US economy grew at a modest pace of 2.2%, up from 1.6% in 2016, marking the eighth successive year of economic expansion. More recently, through the first half of 2018, the pace of growth would appear to have picked up, most notably in the second quarter when the economy is estimated to have grown at an annualised 4.1%.

The industry in 2017: Broad-based expansion

Each of the Big 5 statistics registered positive growth in 2017.

Total spa revenues for 2017 are estimated at \$17.5 billion, an increase of \$0.7 billion (+4.3%) on total revenue in 2016 (\$16.8 billion). With revenues growing for eight successive years, spa industry revenues have passed the \$17 billion threshold for the first time and are now 43% higher compared to the 2009 downturn (\$12.3 billion). With average revenues now passing the \$800,000 mark, the 2017 out-turn represents a further steady advance for the industry.

The number of spa locations is estimated to have risen from 21,260 in 2016 to 21,770 by the end of 2017, an increase of 2.4%, as spa openings out-weighed spa closures by a margin of 500. The increase in new spa establishments would suggest a growing confidence in the industry's growth prospects.

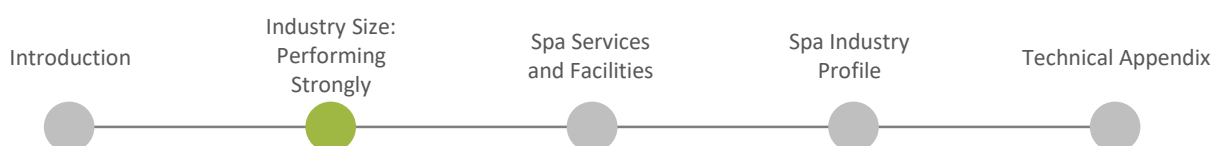
The total number of visits to spa establishments is estimated to have risen from 184 million in 2016 to 187 million in 2017 (+1.6%).

The average revenue per visit in 2017 is estimated at \$93.70, an increase of 2.7% on the 2016 out-turn.

Overall total employment is estimated to have risen to 372,100 as at May 2018, a rise of 6,900 (+1.9%) compared to the same period in 2017 (365,200).

The number of full-time employees is estimated to have risen by 3.1%. The part-time employee count is estimated to have risen at a faster pace (+5.7%). As of May 2018, the number of part-time workers (173,900) exceeded the number of full-time employees (170,900).

The number of independent contractor positions is estimated to have declined over the period from May 2017 to May 2018, from 35,000 to 27,300 (-22%). The reduction in the share of employment filled by independent contractors reflects an ongoing trend, which has accelerated in more recent years. It is possible that some part of the growth in full- and part-time employees is a reflection of the reduction in the number of contractors that spas consider to be part of their workforce.



Key Points Summary

Profitability

Excluding the resort/hotel sector, the profitability performance of spas in 2017 showed an improvement compared to 2016, with 70% of spas reporting a profit percentage of 10% or more, up from 64% in 2016. Just 4% reported a net loss in 2017, compared with 7% in 2016. Two in five spas generated a profit percentage before fixed charges in the range 10.1% to 20%.

Among resort /hotel spas, almost one in three spas (32%) said their profit percentage was in the range 15.1% to 25%.

Recent trends: Positive Signs

When asked about their more recent experience in the six months prior to the survey (September 2017 to March 2018), the survey results indicate that spa visits, client spending, revenues and staffing have remained in positive territory through the early part of 2018.

On each of the indicators considered, more spas said they were experiencing an increase rather than a decrease compared to the same period 12 months previously. That is, the net balances in spa responses would suggest that the spa industry remains on a broadly-based growth trajectory.

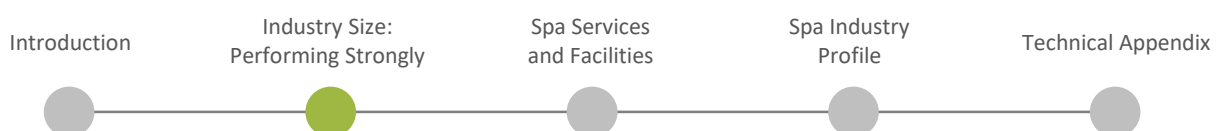
Looking ahead: Plans for 2018

When asked about their plans for 2018, almost all spas (99%) said they were planning to add or create a range of improvements to their business.

Aiming to expand the range of choices available to their clients, three in five spas (60%) said they would be adding or creating new treatment offerings while almost one in two (45%) said they would be introducing new product lines and 28% planned the creation of a new spa menu.

Spas are also focused on strengthening their business through internally focused measures. A large majority of spas (59%) said they plan to introduce new or revised standard operating procedures.

Staffing and employee development also loom large in spas' plans for 2018, with 54% saying they intend introducing new employee training while one in three spas stated their intention to create new jobs. Client-facing and marketing issues are also on the agenda, with 43% of spas planning new community partnerships, 41% saying they will be introducing new promotions targeting the male audience and 18% of spas indicating an intention to introduce new spa branding.



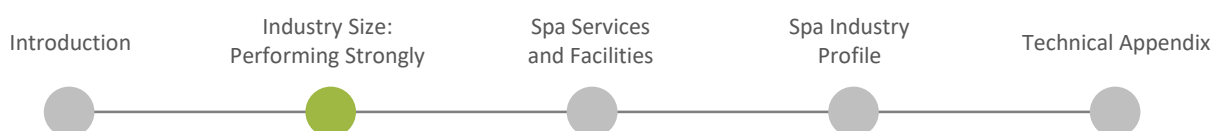
Key Points Summary

Main issues facing the U.S. spa workforce

Survey respondents were asked to give their views on the main issue facing the U.S. spa workforce today.

Lack of qualified, experienced talent was far and away the single most important issue, cited in some form or another by 40% of respondents. According to those respondents, the number of qualified people is not matching the growth in the industry. This can mean difficulties meeting demand. Many of the remaining issues mentioned by respondents are linked to their recruitment difficulties, including:

- Training - Issues around training and education were mentioned by one in eight respondents (12%).
- Turnover - Problems around staff retention and high turnover were mentioned by 7% of respondents.
- Wages/payroll - Pay was mentioned by 5% of respondents, typically in two respects. On the one hand, some spas were concerned about rising wage costs. Conversely, some respondents felt that pay rates were not always sufficiently attractive to recruit and retain employees.
- Compensation structures - A number of respondents noted issues around how best to pay employees: *"Finding a compensation structure that is beneficial to both the spa and the employee"*. Mentioned by 4% of respondents.
- Regulations - Two issues were highlighted by respondents. A number of respondents mentioned issues such as differences between States in licensing regulations. Other respondents pointed to the impact of regulations around benefits. For example, it was stated that contract/part time staff not being regarded as full-time employees with health benefits is a barrier to hiring and keeping good people.
- Competition - Some respondents (4%) linked their recruitment difficulties to the growing number of spas and the resultant competition for staff.



Section 3 | Spa Services and Facilities



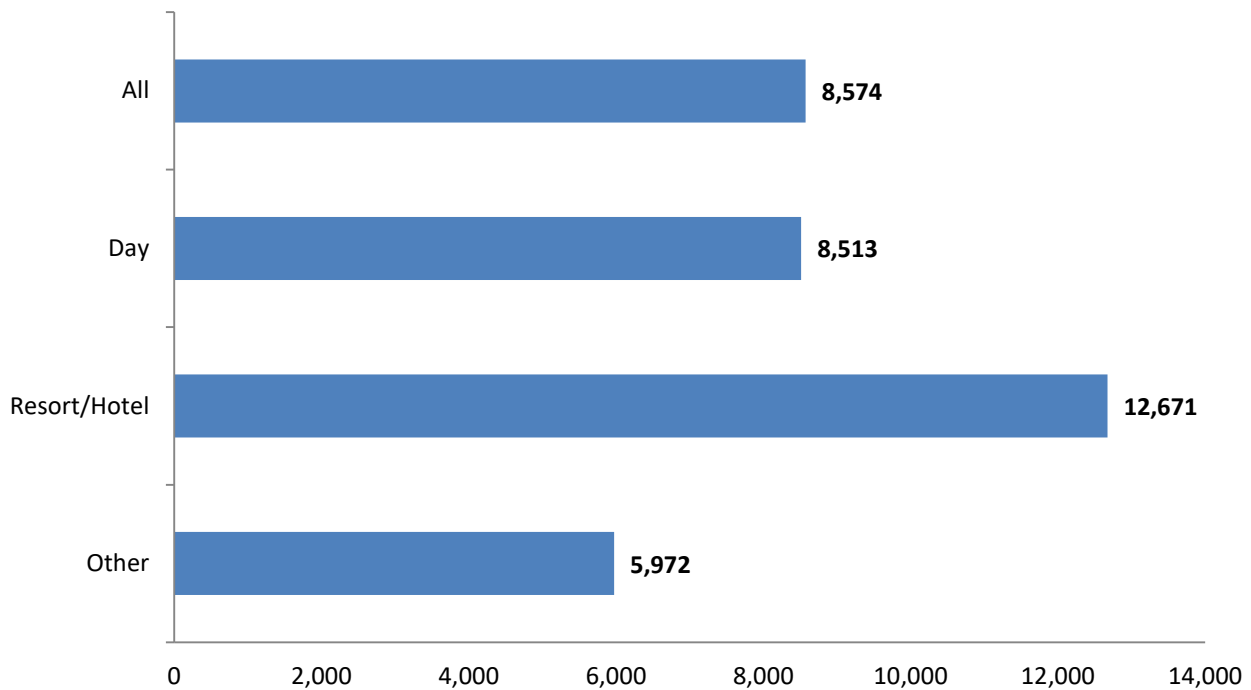
Section 3: Introduction

In 2017, spas received an estimated 187 million client visits, an average 8,574 per spa establishment. This section describes the facilities and services that spas offered to their clients.

This section presents the Industry Study findings for the following topics:

- The core types of services offered by spas and average prices per service.
- The treatments that spas provide, with further detail on massage services and complementary/alternative or mind, body and spirit programs.
- The retail element in spa facilities – range of product types and average value of purchases per guest.
- Revenue from sales of gift cards.
- Offerings in place in 2017.

Average number of spa client visits per spa



Types of Services Offered

The main services provided by spas are massage services (94%) and skin care services (94%), followed by body services (77%) and salon services (52%). That picture is unchanged from previous Industry Studies.

The range and mix of services offered varies by type of spa. Reflecting their larger size, resort/hotel spas typically offer a wider range of services; an average of 5.2 types of services compared to 4.1 among day spas.

Body services are available in almost all resort/hotel spas (97%) compared to 78% of day spas and 57% of spas in the combined other spa category. Salon services are available in 85% of resort/hotel spas compared with 53% of day spas.

In addition to their core spa and salon services, many spas offer their visitors a diverse range of treatments and programs. Hydrotherapy services are offered by over one in five spas (21%), ranging from 34% of resort/hotel spas to 18% of day spas and 27% of establishments in the other spa category.

One in three spas said they provide fitness or sports services, including almost one in two resort/hotel spas (49%) and 29% of day spas.

Complementary or alternative therapies or mind, body and spirit programs, such as acupuncture, reiki and yoga, are available in 21% of spas, including 41% of resort/hotel spas and 21% of day spas.

Almost one in five spas (19%) offer medically supervised services. Reflecting the medical spa effect, such services are most often found in the other spa category (68%).

One in 10 spas said they offer healthy living programs (i.e., smoking cessation, weight loss, etc.).

Types of services offered



Product Offering: Core Spa Services

	All	Day	Resort/Hotel	Other
Massage services	94%	98%	100%	65%
Skin care services	94%	92%	99%	100%
Body services	77%	78%	97%	57%
Salon services	52%	53%	85%	22%
Fitness or sports services	33%	29%	49%	48%
Complementary/alternative therapies or mind, body & spirit	21%	21%	41%	9%
Hydrotherapy	21%	18%	34%	27%
Medically supervised services	19%	13%	7%	68%
Healthy living programs	10%	10%	11%	9%
Average number of services	4.2	4.1	5.2	4.1



Types of treatments Offered

The main treatments offered by spas are facials (94%), exfoliation scrubs (72%) and body wraps (68%). The ranking of those treatment types does not vary by type of spa.

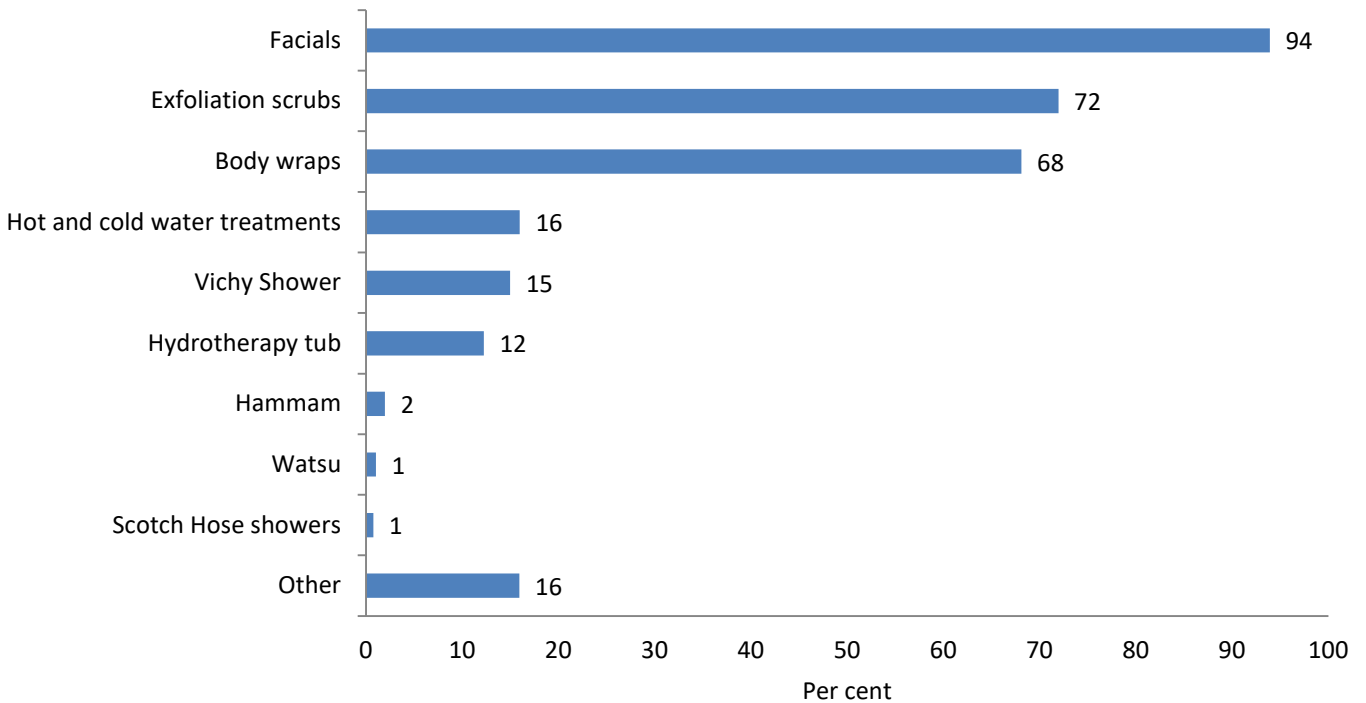
Almost all resort/hotel spas offer facials (99%), scrubs (94%) and wraps (94%). One in four provide Vichy showers and/or hydrotherapy tubs with a little under one in five (18%) offering hot and cold water treatments.

Almost all day spas also provide facials (93%), with 72% offering scrubs and 67% offering body wraps. Almost one in five day spas (18%) also offer hot and cold water treatments with Vichy showers available at 16% of day spas. One in eight day spas (12%) offer hydrotherapy tubs.

Within the combined other spa category, which includes mainly club spas and medical spas, almost all offer facials (97%), followed by scrubs (58%) and body wraps (56%). The remaining treatment types are provided by relatively few establishments in the other spa category (typically 1%-2%).

Treatments such as Hammam, Watsu and Scotch Hose showers are relatively infrequent in the day spa sector (1%-2%) and more often found in resort/hotel spas (2%-7%).

Types of treatments offered



Product Offering: Types of Treatments Offered

	All	Day	Resort/Hotel	Other
Facials	94%	93%	99%	97%
Exfoliation scrubs	72%	72%	94%	58%
Body wraps	68%	67%	94%	56%
Hot and cold water treatments	16%	18%	18%	2%
Vichy Shower	15%	16%	25%	2%
Hydrotherapy tub	12%	12%	25%	2%
Hamмам	2%	2%	7%	1%
Watsu	1%	1%	2%	2%
Scotch Hose showers	1%	1%	4%	0%
Other	16%	18%	5%	8%



Massage Treatments Offered

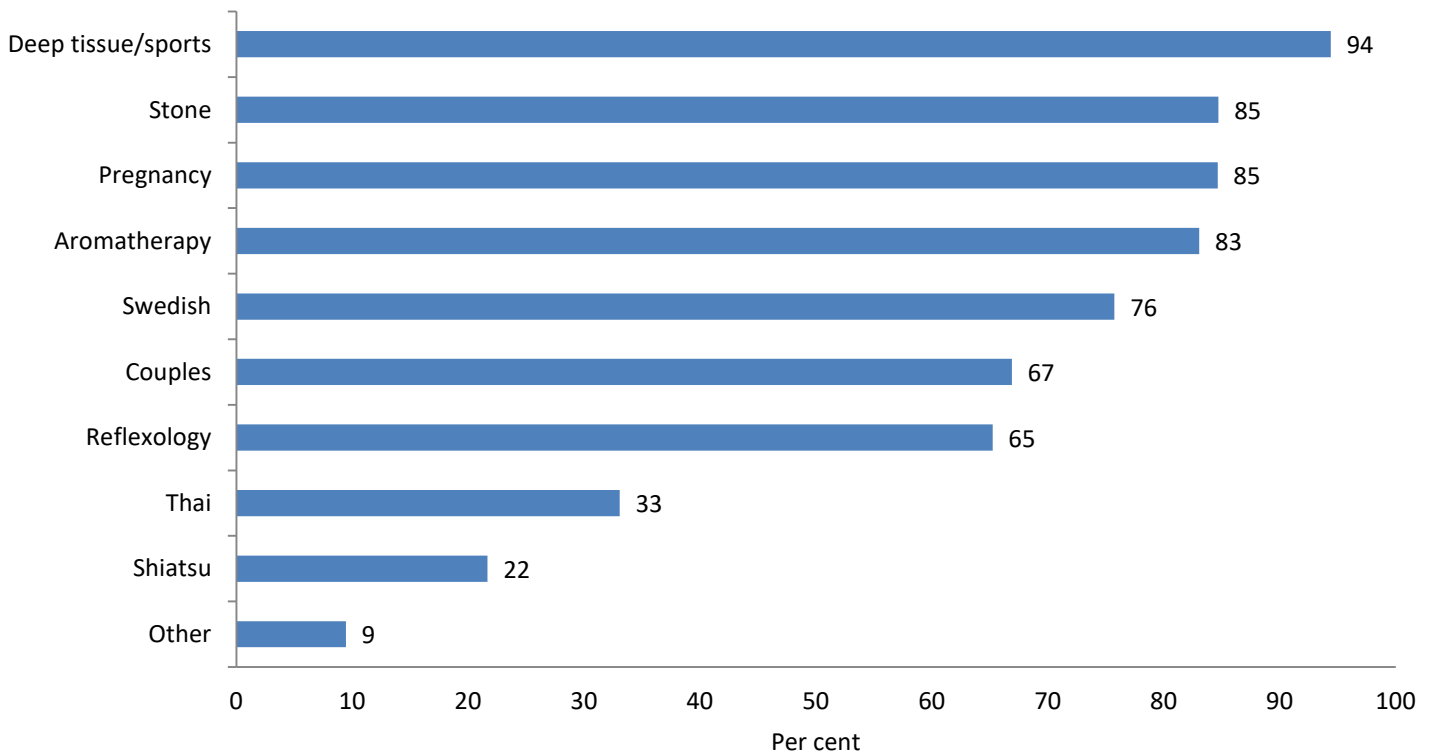
Spas offer a wide range of massage treatments. On average, spas offer six of the massage treatments listed in the chart below.

Almost all spas which provide massage treatments offer deep tissue/sports (94%), followed by stone (85%), pregnancy (85%) and aromatherapy (83%). Regardless of spa type, the majority of spas also offer Swedish (76%), couples (65%) and reflexology (65%) treatments. Thai (33%) and Shiatsu (22%) are less frequently found.

The main variations by type of spa are as follows:

- Swedish – available in almost all resort/hotel spas (95%) compared to 71% of day spas
- Couples – available in 91% of resort/hotel spas (91%) compared to 63% of day spas.
- Thai and Shiatsu - more frequently in the other spa category – 72% for Thai and 69% for Shiatsu massage treatments.

Massage treatments offered



Base: Spas offering massage treatments.



Product Offering: Massage Treatments Offered

	All	Day	Resort/Hotel	Other
Deep tissue/sports	94%	94%	97%	99%
Stone	85%	83%	92%	97%
Pregnancy	85%	82%	95%	96%
Aromatherapy	83%	81%	92%	94%
Swedish	76%	71%	95%	98%
Couples	67%	63%	91%	79%
Reflexology	65%	62%	74%	93%
Thai	33%	30%	25%	72%
Shiatsu	22%	17%	20%	69%
Other	9%	9%	15%	8%
Average number of services	6.2	5.9	6.9	8.0

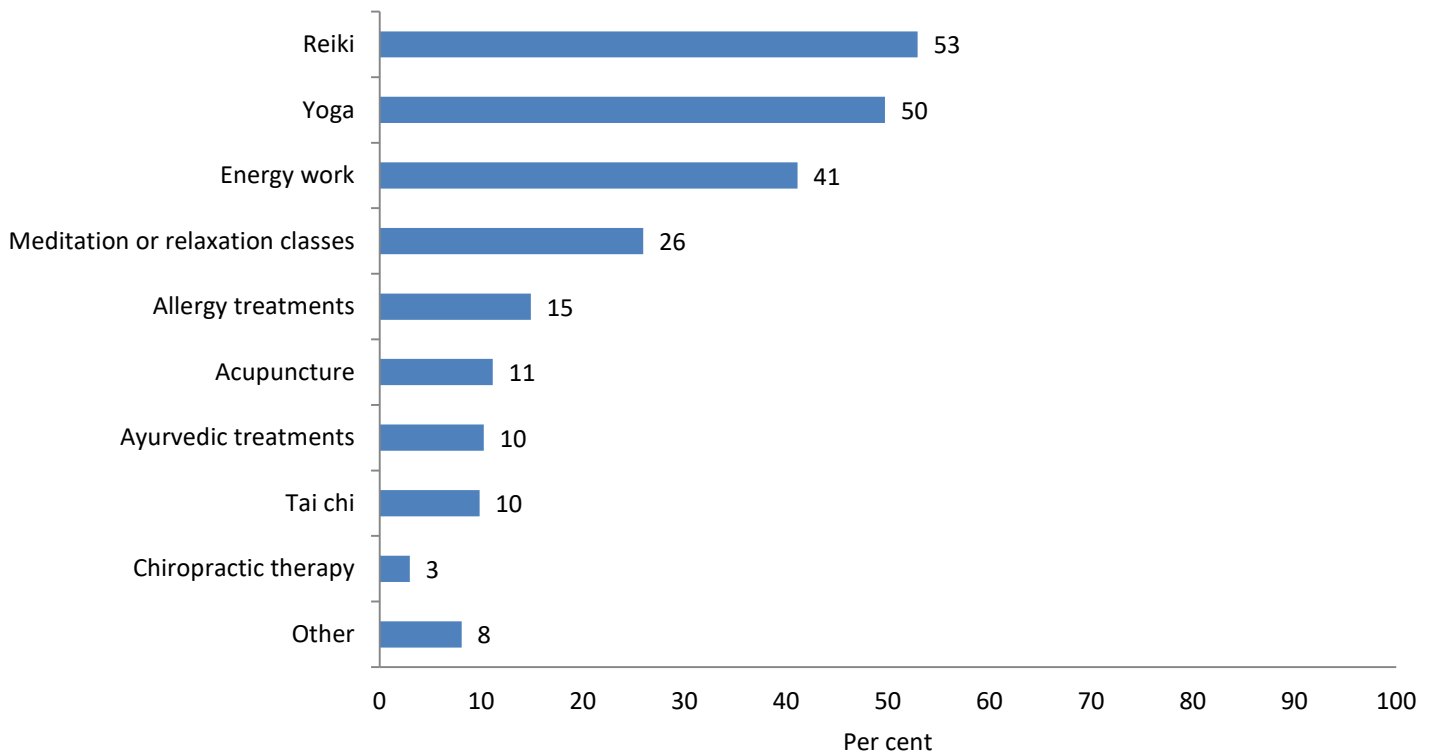
Complementary/Alternative, or Mind, Body & Spirit Programs

Among the 21% of spas that provide complementary/alternative, or mind, body and spirit programs, over one in two offer Reiki (53%) followed closely by Yoga (50%), energy work (41%) and meditation or relaxation classes (26%).

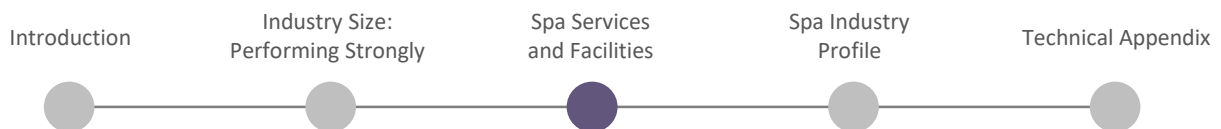
The range and mix of complementary/alternative, or mind, body and spirit programs varies by type of spa. For example, among resort/hotel spas providing such services, 82% said they offer yoga, compared with 42% of day spas.

By contrast, 56% of day spas offering alternative treatments said they provide Reiki, compared with 39% of resort/hotel spas.

Complementary/alternative, or mind, body & spirit programs



Base: Spas offering complementary/alternative, or mind, body & spirit programs



Prices Per Service

The average price per spa service in 2017 is estimated as \$94, up by 1.5% compared to 2016, when the average price per service was \$92.

Average prices vary depending on the type of service provided, ranging from \$45 per nail service to \$109 per body treatment. At \$96, the average price per massage occupies an intermediate position within that range. The differences in average prices by type of service have been consistent over the past five years. It should be appreciated that these are average prices which will vary across spa establishments depending on type, location, etc.

The average price per massage (\$96) was 2.6% up on the 2016 average. Facials and body treatments saw lower rates of change on average, rising by 0.9% in the case of facials and hardly at all (+0.2%) for body treatments.

The average prices shown for hair services and nail services tend to be more variable from one year to the next, due to smaller sample sizes for spas offering those services. Percentage changes should therefore be interpreted with caution.

Average prices, 2017 compared to 2016, 2015, 2014 and 2013

	2013	2014	2015	2016	2017
Per massage	\$91	\$88	\$93	\$94	\$96
Per facial	\$100	\$97	\$100	\$101	\$102
Per body treatment	\$102	\$105	\$110	\$109	\$109
Per hair service	\$73	\$76	\$82	\$78	\$82
Per nail service	\$43	\$45	\$43	\$44	\$45
Per service	\$88	\$88	\$90	\$92	\$94

Note: For each type of service, survey respondents are asked to report the 'actual' average price based on their P&L statement, rather than the 'list' price of treatments.

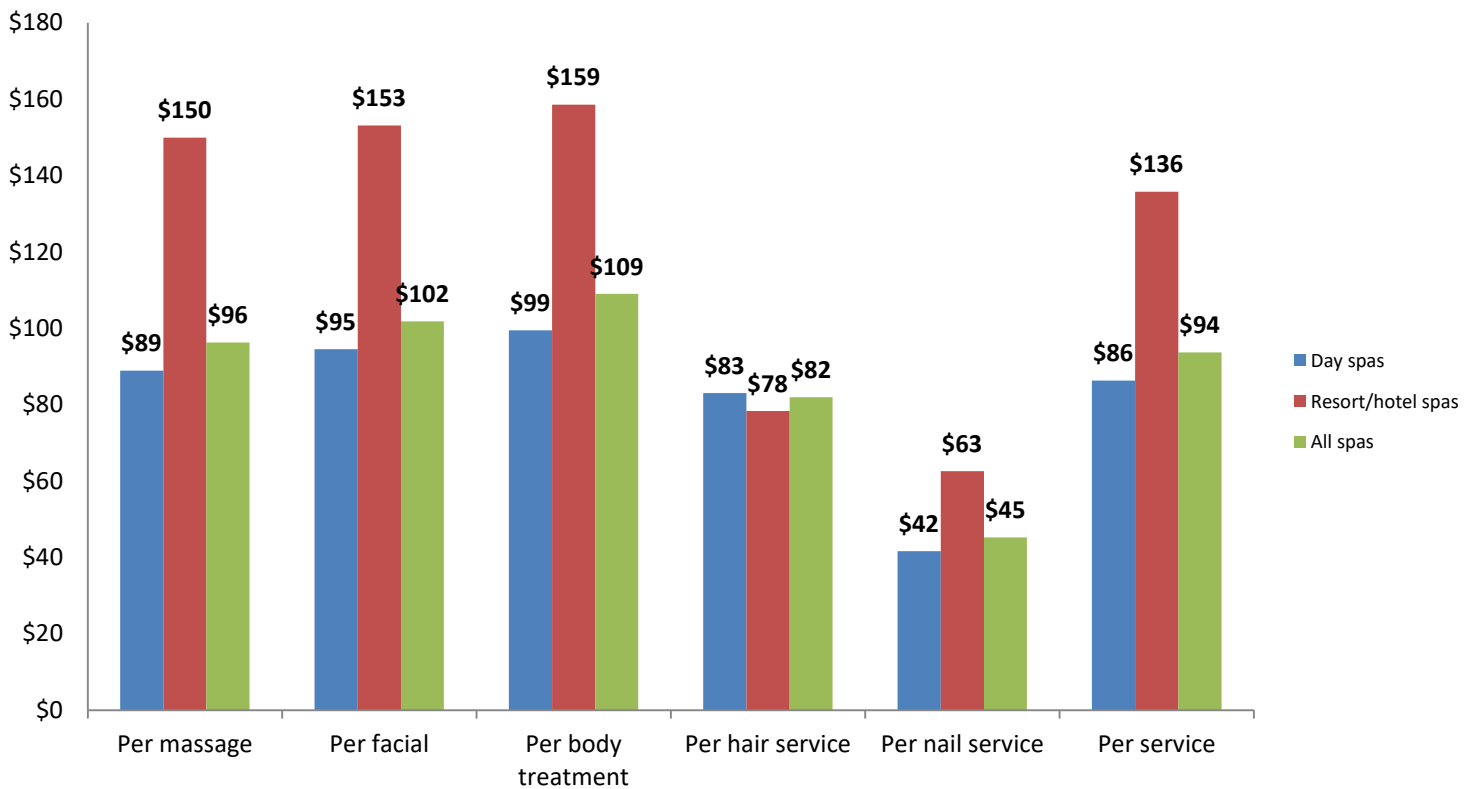
Prices Per Service by Type of Spa

The average price per spa service tends to be higher in resort/hotel spas than in day spas.

In 2017, the overall average price per service in resort/hotel spas was \$136 compared to \$86 per service in day spas, a differential of 57%. The largest difference between resort/hotel and day spas was for massage services, as the estimated average price per massage service in resort/hotel spas was \$150 compared to \$89 in day spas, a difference of 69%. Similar differences were observed in relation to facials (62% higher on average in resort/hotel spas), nail services (50%) and body treatments (59%). By contrast, the average price of hair services quoted by day spa respondents was \$83, slightly in excess of the resort/hotel spa average (\$78).

Price comparisons by type of spa should be made with a degree of caution. The averages shown in the accompanying chart will vary across individual spas according to a range of factors such as location.

Average price per service by type of spa



Retail: Product Types

Almost all spas (96%) contain a retail element. Within those spas, skin care products are most frequently offered (98%) followed by gift cards (86%), cosmetics (54%) and nail care products (51%).

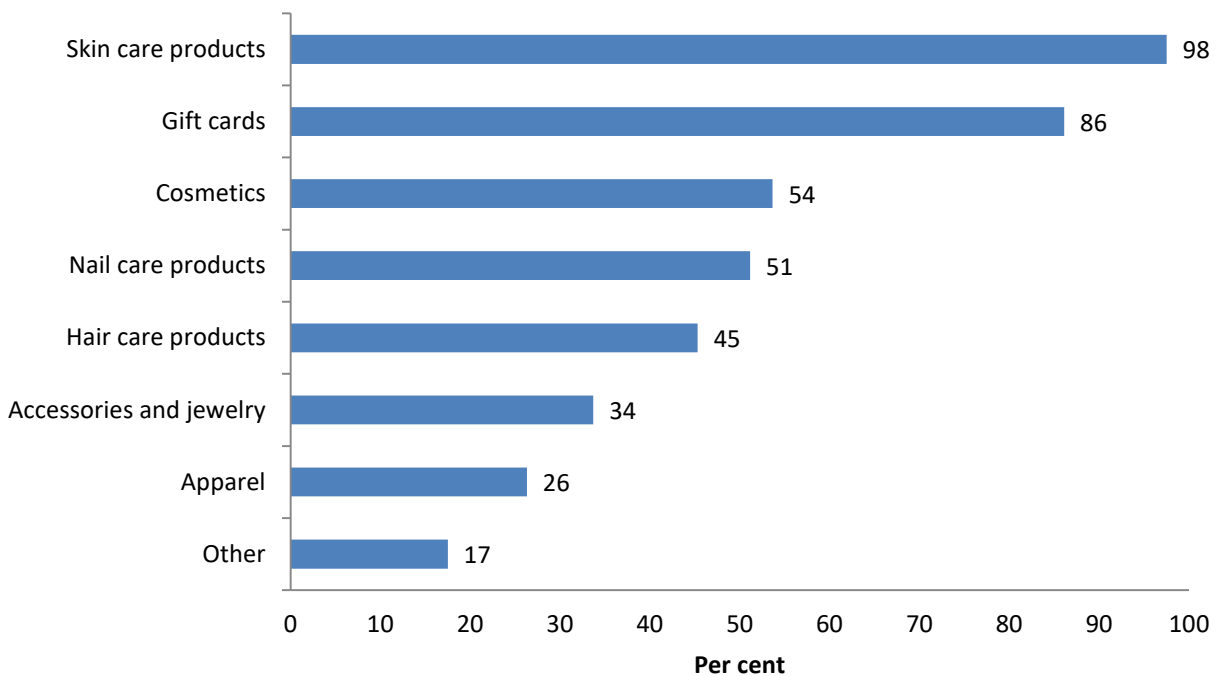
Resort/hotel spas tend to offer a wider range of retail products when compared with the industry average (see table on next page). When asked about the types of products that they sell as part of their retail operation, the typical resort/hotel spa mentioned six of the eight categories listed in the accompanying table. Among day spas, the average number of product types sold was four.

Compared to resort/hotel spas, day spas are about equally likely to offer skin care products (97% of day spas compared to 100% of resort/hotel spas) and gift cards (86% versus 84%).

Day spas are less likely to offer other retail products such as: cosmetics (51% versus 75% of resort/hotel spas), nail care (53% compared to 83% of resort/hotel spas), hair care (45 % of day spas compared to 85% of resort/hotel spas), accessories and jewelry (32% of day spas compared to 76% of resort/hotel spas) and apparel (23% of day spas compared to 70% of resort/hotel spas).

The average dollar value of retail purchases was \$39 in 2017.

Retail - Types of products offered



Retail: Product Types

	All	Day	Resort/ Hotel	Other
Retail section				
Yes	96%	95%	100%	100%
No	4%	5%	0%	0%
Types of products (% of spas with retail section)				
Skin care products	98%	97%	100%	100%
Gift cards	86%	86%	84%	86%
Cosmetics	54%	51%	75%	53%
Nail care products	51%	53%	83%	16%
Hair care products	45%	45%	85%	16%
Accessories and jewelry	34%	32%	76%	11%
Apparel	26%	23%	70%	12%
Other	17%	20%	17%	5%
Average dollar value of retail purchases per guest				
Average	\$39	\$35	\$38	\$65



Gift Card Revenues

Spas saying that they offer gift cards as part of their retail section were also asked to give the total revenue generated in 2017 from sales of gift cards (or gift card promotions). On average, among those spas, gift card sales and promotions generated \$86,200 per spa. That equates to an industry-wide total of \$1.55 billion, indicating that gift card sales (or promotions) accounted for 9% of total spa industry revenues in 2017.

Among the 83% of spas offering gift cards, the average gift card revenue per spa is estimated to vary from \$38,300 in the combined other spa category to \$91,700 in the day spa sector to \$103,900 among resort/hotel spas.

Focusing on those spas that offer gift cards, the revenues generated from gift card sales accounted for 11% of total revenues, on average, ranging from a 13% average among day spas to 5% in the combined other spa category.

At the overall industry level, the grossed-up revenues from gift card sales are estimated to contribute 9% to total spa industry revenue. That proportion also varies by type of spa, being highest in the day spa sector (11%).

	All	Day	Resort/ Hotel	Other
Spas offering gift cards				
Per cent of all spas	83%	82%	83%	86%
Gift Card Revenues				
Average per spa offering gift cards	\$86,200	\$91,700	\$103,900	\$38,300
Total industry gift card revenues (\$ billion)	\$1.55	\$1.30	\$0.16	\$0.08
Per cent of revenue				
Spas offering gift cards	11%	13%	6%	5%
Total spa industry revenue	9%	11%	5%	5%

Spa Offerings

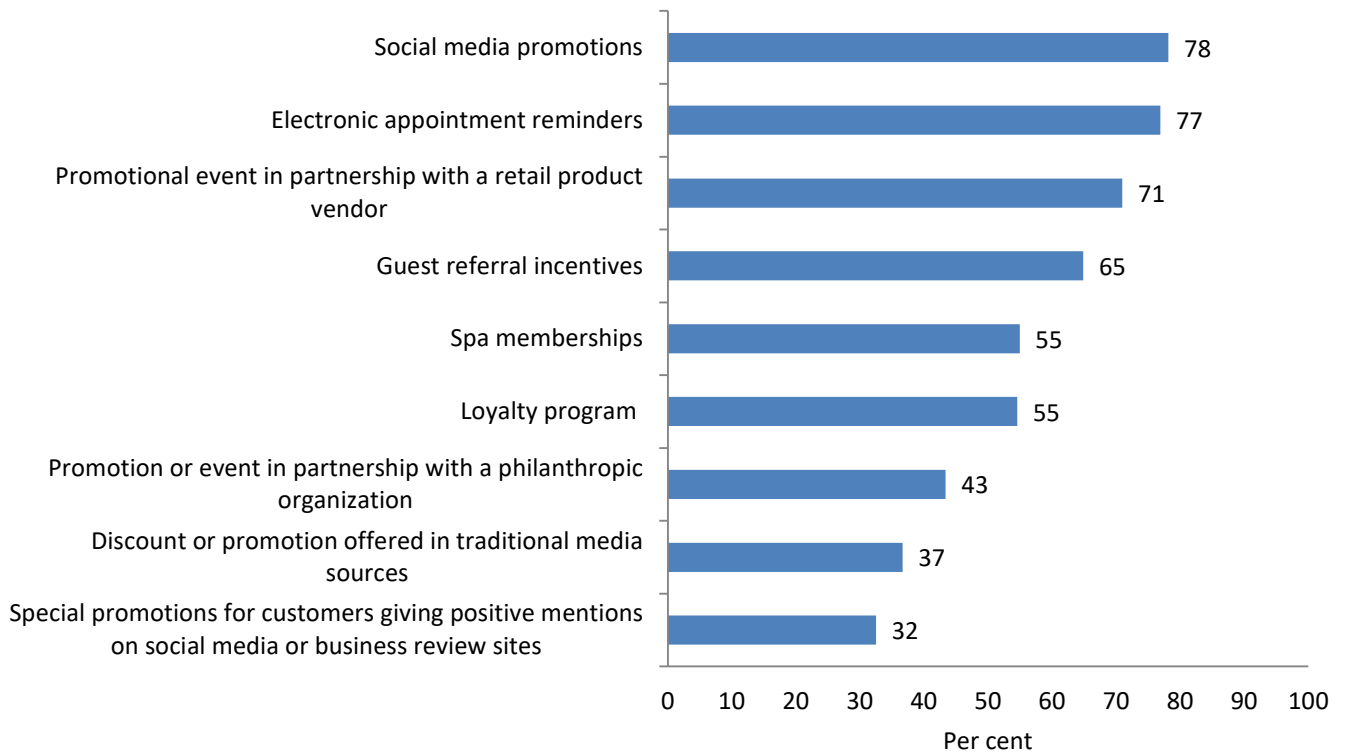
When asked about the offerings that they had in place in 2017, 78% quoted social media promotions followed closely by 77% mentioning electronic appointment reminders and 71% including a promotional event in partnership with a retail product vendor.

The table following this page shows offerings in place in 2017 by type of spa. The prominence of social media promotions does not vary greatly across the different spa types, offered by 82% of day spas and 72% of resort/hotel spas. Similarly, regardless of spa type, the large majority of spas participated in a promotional event in partnership with a retail product vendor.

In other respects, the mix of offerings in 2017 varied by type of spa:

- Day spas were more likely to say they offered electronic appointment reminders – 82% compared to 62% of resort/hotel spas.
- Over two in three day spas (68%) offered guest referral incentives in 2017 compared with 22% of resort/hotel spas.
- Spa memberships – 57% of day spas compared with 35% of resort/hotel spas.
- Loyalty programs were more frequently offered by day spas (56%) compared with resort/hotel spas (29%).
- Promotions or partnerships in partnership with a philanthropic organization were more often offered by day spas in 2017 (43%) than by resort/hotel spas (34%).

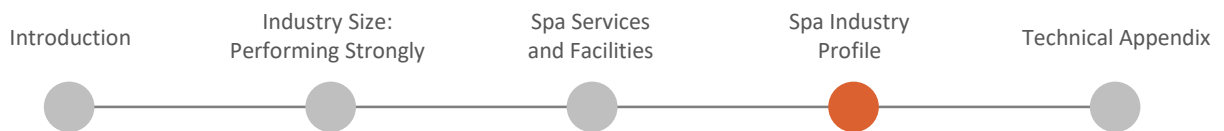
Offerings in place in 2017



Spa Offerings

	All	Day	Resort/Hotel	Other
Social media promotions	78%	82%	72%	59%
Electronic appointment reminders	77%	82%	62%	56%
Promotional event in partnership with a retail product vendor	71%	72%	62%	69%
Guest referral incentives	65%	68%	22%	73%
Spa memberships	55%	57%	35%	53%
Loyalty program	55%	56%	29%	64%
Promotion or event in partnership with a philanthropic organization	43%	43%	34%	51%
Discount or promotion offered in traditional media sources	37%	37%	46%	29%
Special promotions for customers giving positive mentions on social media or business review sites	32%	33%	22%	38%

Section 4 | Spa Industry Profile

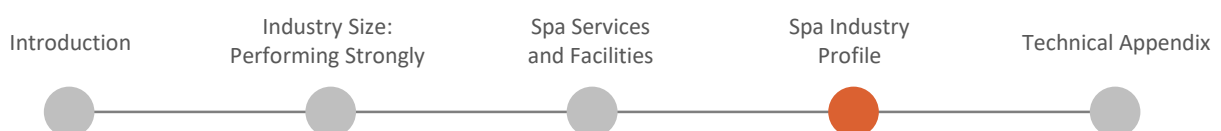


Section 4: Introduction

This section presents a profile of the estimated 21,770 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.

This section focuses on the following spa establishment categories:

- What is the composition of the industry by type of spa?
- What are the main contrasts by type of spa establishment in respect to industry size statistics, i.e., average revenues, visits 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?



Key Ratios

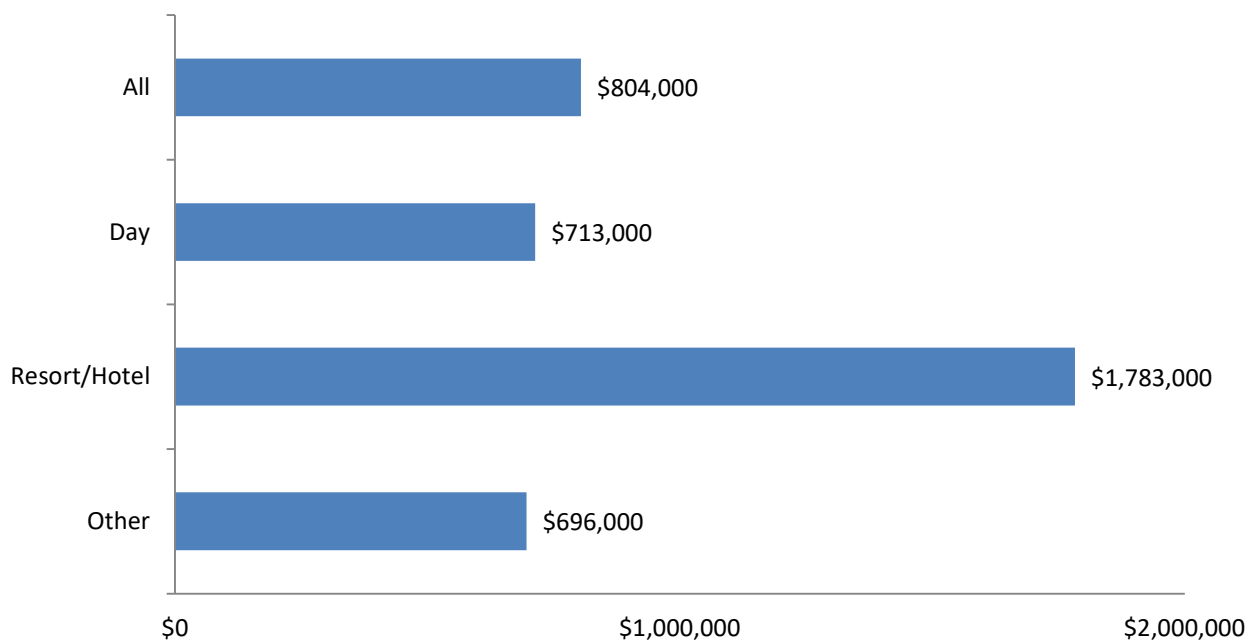
Key size indicators vary by type of spa. As in previous years, average revenues and visits per resort/hotel spa are higher than for day spas.

The key size indicators are shown for the main spa types in the Key Ratios table on the following page. For comparability with previous studies, floor space ratios are also shown.

Also shown are revenue ratios, including revenues per visit and per employed person. Resort/hotel spas generate higher average revenues per visit (\$141) compared to day spas (\$84).

Reflecting their larger average size, revenue per resort/hotel spa (\$1.78 million) was approximately 2.5 times the average for day spas (\$713,000) in 2017. Similarly, average total employment per resort/hotel spa (35.5) is more than twice the day spa average (15.5).

Average revenue by type of spa

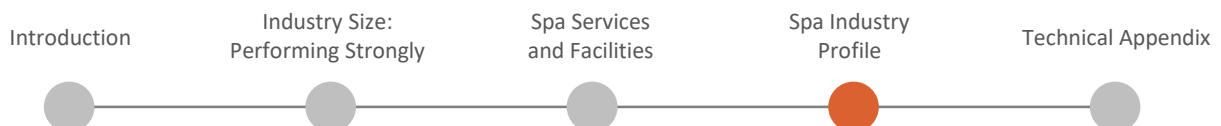


Note: The key ratios by spa type should be interpreted with caution. They are estimates based on a sample of spa establishments and will therefore be subject to variability from sampling error. Special care should be taken in making comparisons with previous Spa Industry Studies as the estimates in those previous reports will also exhibit variability due to sampling error.

Key Ratios by Spa Type

	All	Day	Resort /Hotel	Other
Revenue per spa	\$804,000	\$713,000	\$1,783,000	\$696,000
Per visit	\$94	\$84	\$141	\$117
Per employed person	\$46,980	\$46,140	\$50,280	\$47,190
Visits per spa	8,574	8,513	12,671	5,972
Total employees per spa	17.1	15.5	35.5	14.7
Full-Time	7.9	7.2	16.2	6.3
Part-Time	8.0	7.1	17.8	6.6
Contract	1.3	1.1	1.4	1.8

Note: 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.



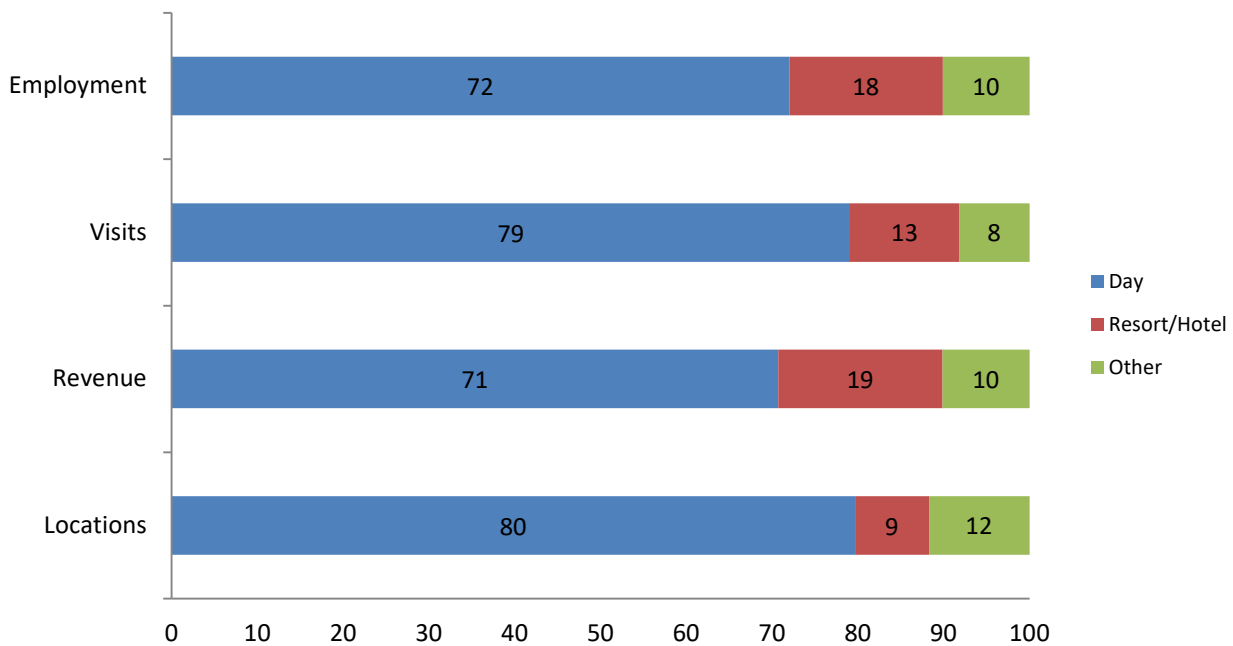
The Big 5: Composition by Spa Type

The composition of various size indicators by spa type varies according to differences between spas in key ratios such as average revenues and visits.

While they account for 9% of locations, resort/hotel spas account for almost one-fifth of total spa industry revenue (19%) and 18% of employment. The contrast reflects the larger scale of resort/hotel spas compared to the industry averages for revenue and employment.

Day spas account for 71% of total revenue, compared to 80% of locations. This is because spend per visitor in the day spa sector (\$84) is below the industry average (\$94).

Composition by spa type



Geography of the Spa Industry: Distribution of Spa Types by Region

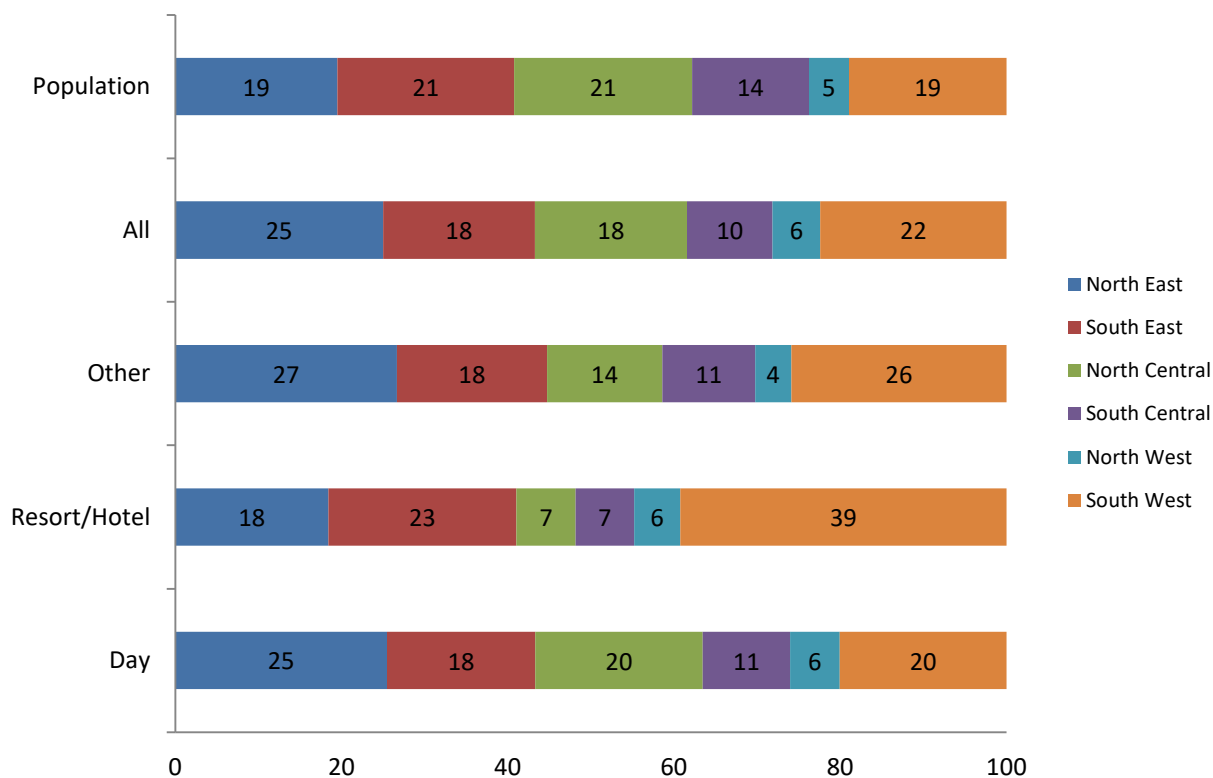
The distribution of spa types by region in 2017 shows little change from the historic pattern.

Compared to the general population, resort/hotel spas are more heavily concentrated in the South West region; 39% of such spas are located in the South West, i.e., over two times the region's 19% population share.

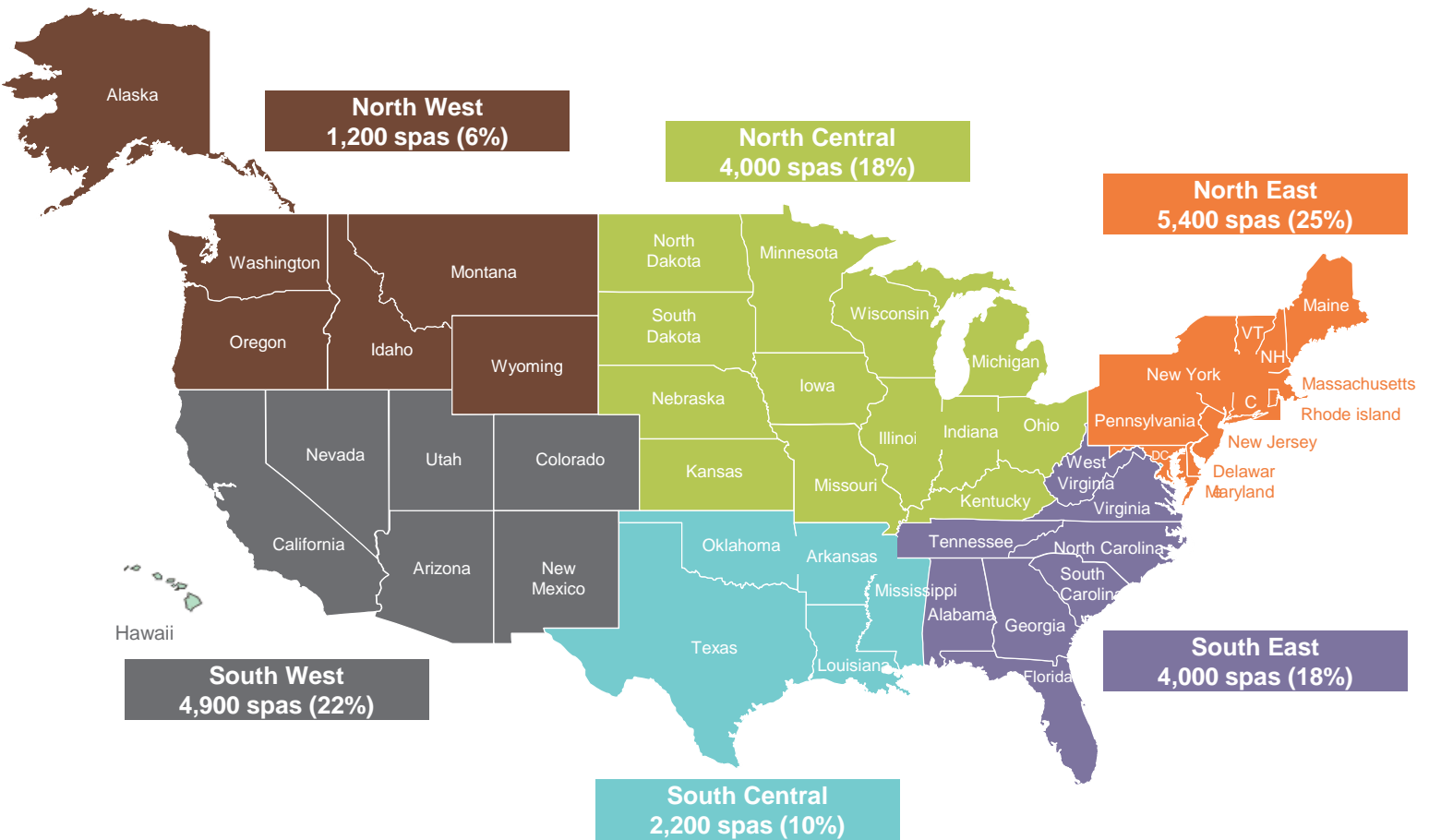
The regional distribution of day spas more closely follows the general population; such spas typically serve the population living in the areas where they are located.

The map of spa establishments by region is shown on page 50. Key ratios by region are shown in the table on page 51.

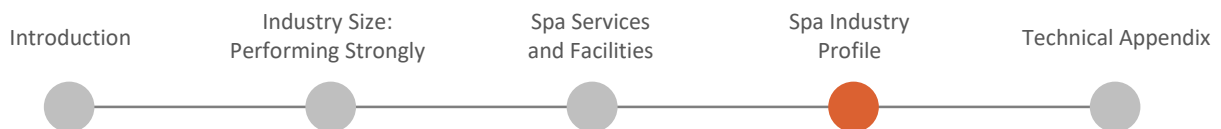
Distribution of spa types by region



The Distribution of Spa Establishments by Region



Note: Number of spas rounded to the nearest 100

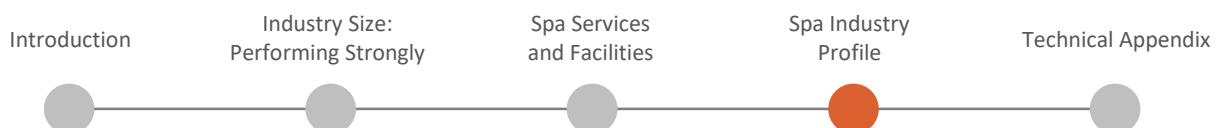


Key Ratios by Region

	All	North East	South East	North Central	South Central	North West	South West
Revenue per Spa	\$804,000	\$787,000	\$814,000	\$739,000	\$780,000	\$759,000	\$888,000
Per visit	\$94	\$95	\$96	\$82	\$92	\$82	\$105
Per employed person	\$46,980	\$49,310	\$46,760	\$45,790	\$44,530	\$43,550	\$47,670
Visits per Spa	8,574	8,269	8,483	9,060	8,447	9,256	8,475
Total Employees	17.1	16.0	17.4	16.1	17.5	17.4	18.6
Full-Time	7.9	7.6	8.1	7.4	9.0	7.0	8.0
Part-Time	8.0	7.6	8.3	8.2	7.3	9.4	8.0
Contract	1.3	0.8	1.0	0.5	1.2	1.0	2.6
Locations*							
Total	21,800	5,400	4,000	4,000	2,200	1,200	4,900

*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. Similarly, changes compared to previous years will reflect sampling variability. Please see key ratios note on page 46.

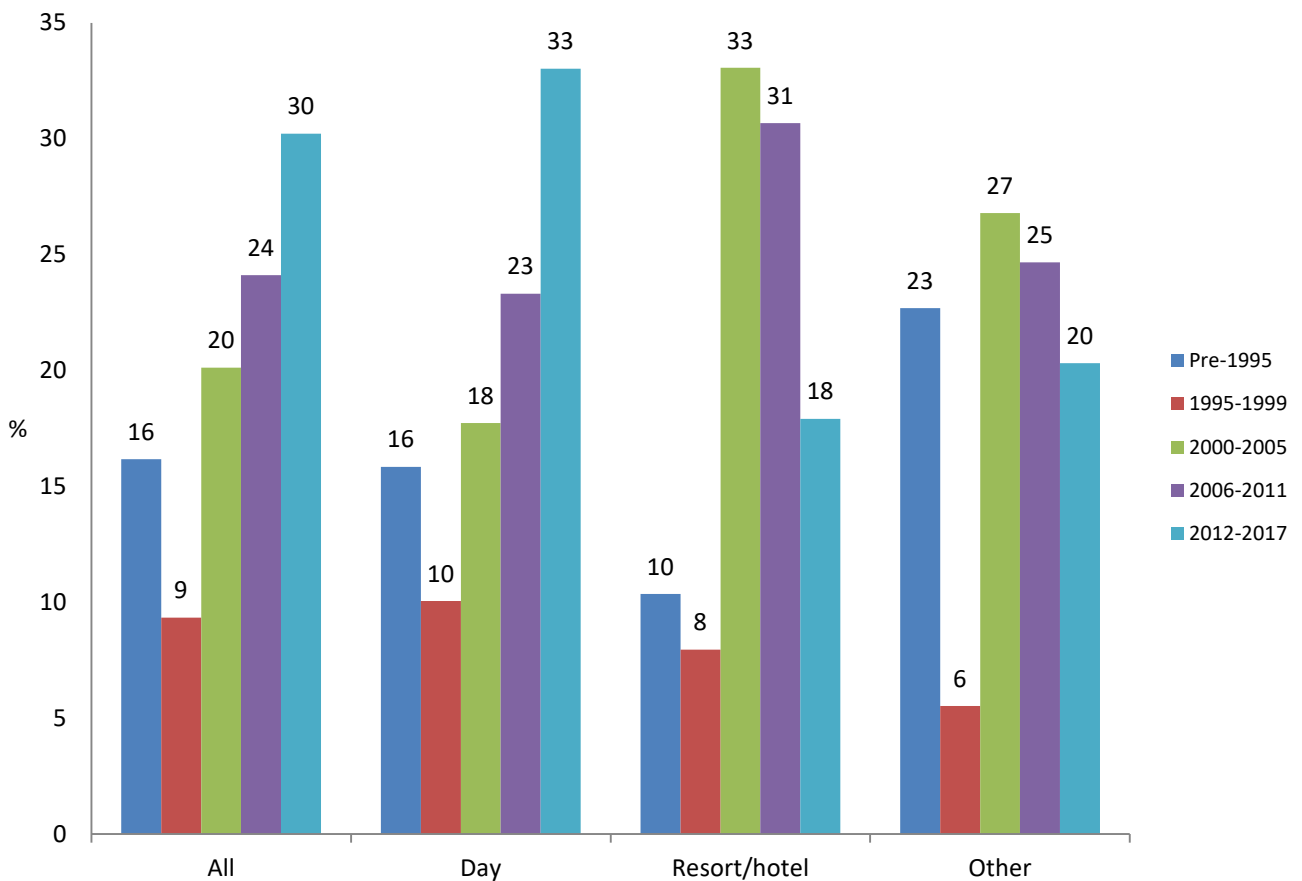


Year Spa Business Started

Among those spas in business at the end of 2017, 30% said they started in the period from 2012-2017. A further 24% said they started between 2006 and 2011. The remaining spas include 16% that have been in business since before 1995.

The proportion opening in the last five years (2012-2017) was highest among day spas (33%). A little under one in five resort/hotel spas (18%) started in that period. The majority of resort/hotel spas (64%) started between 2000 and 2011.

Year spa business started



Type of Operation

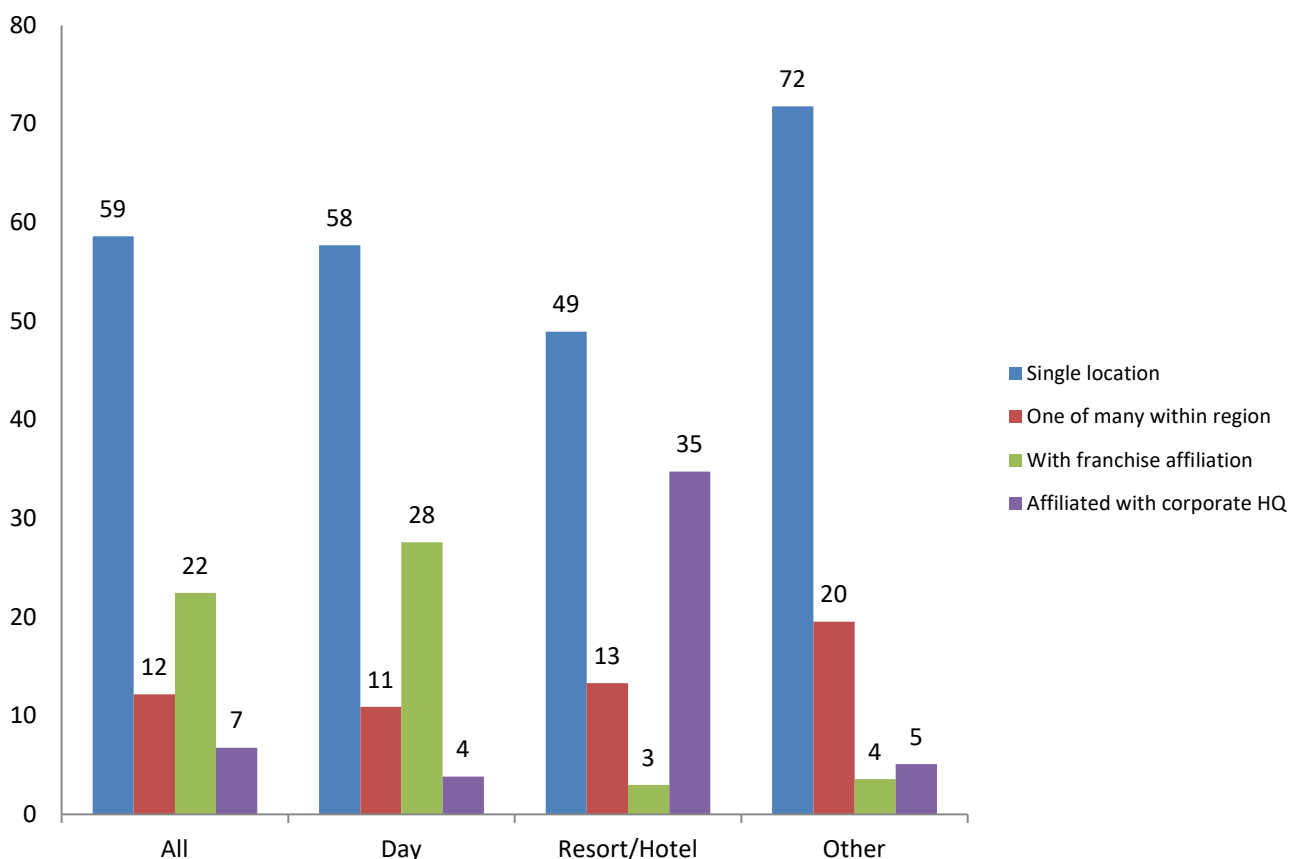
The majority of spas (59%) describe themselves as single location operations.

Almost one in eight spa businesses (12%) said they are one of a number of locations within the same state or region and owned by the same owner/company.

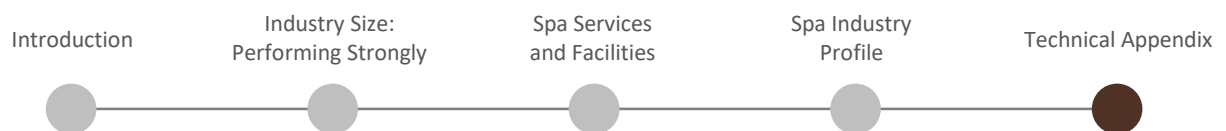
Operations with a franchise affiliation account for 22% of spas. The proportion is highest among day spas (28%).

Overall, 7% of businesses said they are affiliated with a national corporate headquarters. The proportion with such an affiliation is highest among resort/hotel spas (35%).

Type of operation



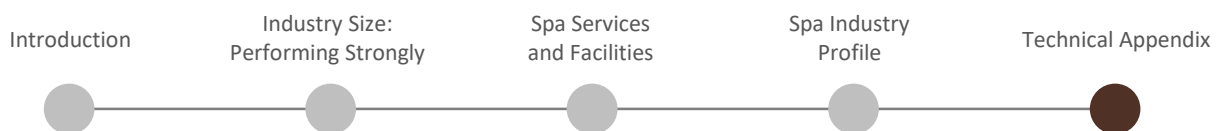
Section 5 | Technical Appendix



Section 5: Introduction

This section describes the approach to the 2018 U.S. Spa Industry Study, under the following headings:

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



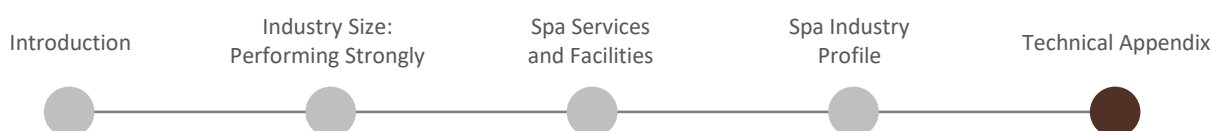
Survey Methodology

A large scale quantitative survey of spa establishments was undertaken to collect the information required to estimate the key statistics for the ISPA 2018 U.S. Spa Industry Study. The full survey was launched in January 2018 and completed in April 2018.

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, including 2017 revenues and visits and employment levels in 2018.

The second part sought information on operating characteristics of spas, such as core spa services and compensation of employees. Spas were also asked about their service offerings in 2017, their plans for 2018 and 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 over 6,200 contacts.



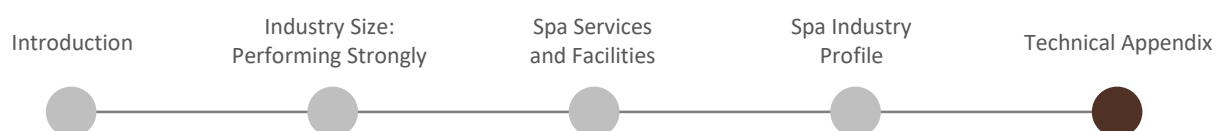
The Questionnaire

The questionnaire for the 2018 Industry Study was based on the questionnaire used for the 2017 Industry Study. This was to ensure continuity and consistency with the 2010, 2011, 2012, 2013, 2014, 2015, 2016 and 2017 U.S. Spa Industry Studies. The questionnaire 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 previous Industry Studies, 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, and employment. This section also asked spas about their 2017 profit percentage.

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

- Staff compensation and benefits;
- Product offering: Core spa services;
- Retail products and revenues;
- Spa offerings in 2017;
- Plans for 2018;
- Market trends;
- The respondent's view on staffing issues facing the spa workforce.



Survey Outcomes

The survey was launched on a bespoke Internet registration site in January 2018 and ran until April 2018.

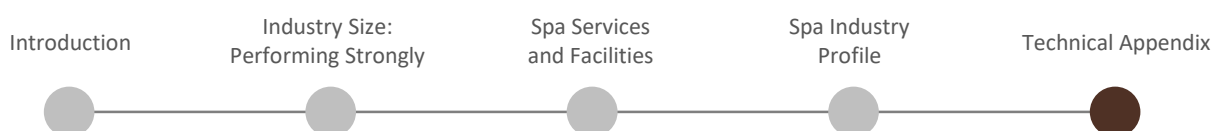
Results represent responses from 2,375 establishments. Those establishments were based on 704 survey returns that were submitted for either single locations or composite returns for multiple spa locations.

When compared to their share of all spa establishments, resort/hotel spas were over-represented in the sample while day spas were under-represented. The findings reported in this study have, therefore, been weighted to reflect the distribution of establishments by type of spa.

As the information for this study was collected from a sample of spas, the findings will inevitably be subject to margins of error. For proportions based on all respondents, the indicative margins of error at the 95% confidence level are $\pm 3.7\%$.

The margins of error are wider for sub-samples. Thus, for proportions based on all day spas, the margins of error are $\pm 4.7\%$. For proportions relating to resorts/hotels, the indicative margins of error are $\pm 6.8\%$.

Key ratios by spa type and region should be interpreted with caution. They are estimates based on a sample of spa establishments and are therefore subject to variability from sampling error. Special care should be taken in making comparisons with previous Spa Industry reports as estimates in those reports will also exhibit sampling error variability.



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 4 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 10-15 should nonetheless be treated with a degree of caution.

