

# 2017

**U.S. SPA INDUSTRY STUDY**

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INTERNATIONAL SPA ASSOCIATION



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## Introduction

This report presents the findings from the 2017 U.S. Spa Industry Study. The study was commissioned by the International SPA Association (ISPA).

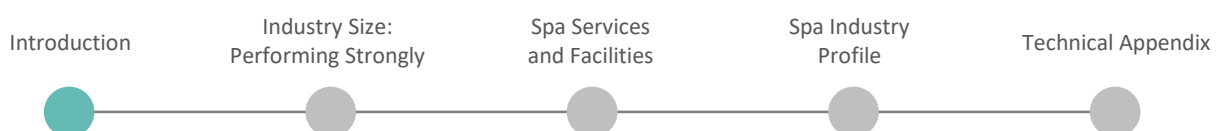
Established in 1991, ISPA has been recognized worldwide as the professional organization and voice of the spa industry, representing health and wellness facilities and providers in more than 70 countries. Members encompass the full spectrum of the spa experience, from resort/hotel, destination, mineral springs, medical, cruise ship, club and day spas, to service providers such as physicians, wellness instructors, nutritionists, massage therapists and product suppliers.

ISPA advances the spa industry by providing educational and networking opportunities, promoting the value of the spa experience and speaking as the authoritative voice to foster professionalism and growth.

This 2017 study marks the eighteenth anniversary of the Spa Industry Study which was first conducted in 2000 highlighting the spa industry in 1999. The inaugural study was subsequently updated in 2002, 2004, 2006, 2007, 2010, 2011, 2012, 2013, 2014, 2015 and most recently, 2016. Shorter tracking studies were commissioned in 2003, 2005, 2008 and 2009.

This report presents the state of the industry in 2016, 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 industry's '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 2017.

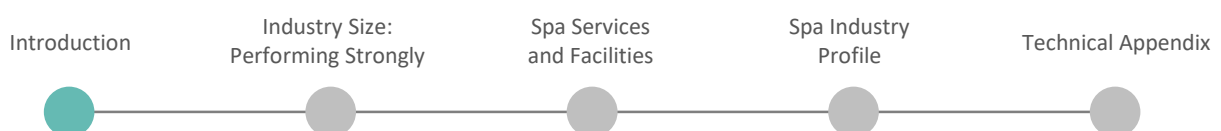
The 2017 survey also collected information on a range of employment-related issues including: compensation levels of full-time employees in the spa industry, factors affecting compensation levels, compensation structures in respect of paid time off, paid education/training or paid sick leave, how the spa handles gratuities/tips and service fees and, unstaffed positions for service providers. Those topics are the subject of a separate supplementary report, which is being provided only to survey respondents.



## Research Objectives

The research objectives of the 2017 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
  - 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 specifically on compensation.
- Supplement the ISPA database of key industry statistics.



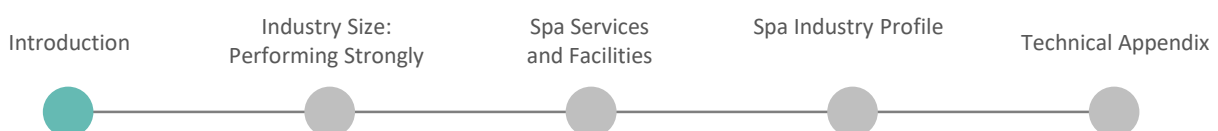
## Definitions

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: A facility whose primary purpose is fitness and which offers a variety of professionally administered spa services on a day-use basis.
- Day spa: A spa offering a variety of professionally administered spa services to clients on a day-use basis.
- Destination spa: A destination spa is a facility with the primary purpose of guiding individual spa-goers to develop healthy habits. This lifestyle transformation can be accomplished by providing a comprehensive program that includes spa services, physical fitness activities, wellness education, healthful cuisine and special interest programming.
- Medical spa: A facility that has a full-time licensed health care professional on-site, which is further defined as a health professional who has earned a degree of Doctor of Medicine (M.D.) as defined by the AMA.
- Mineral springs spa: A spa offering an on-site source of natural mineral, thermal or seawater used in hydrotherapy treatments.
- Resort/Hotel spa: A spa located within a resort or hotel providing professionally administered spa services, fitness and wellness components.

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:

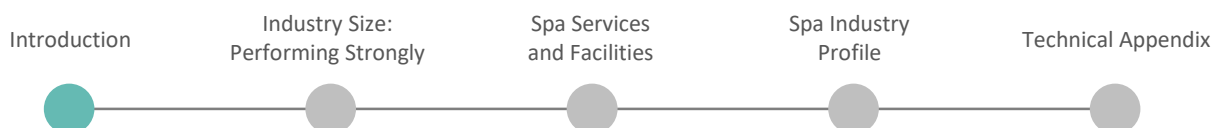
**Section 2 Industry Size – A Steady Pace of Growth:** This section provides an industry level overview and begins with the estimated 2016 out-turn for the 'Big 5' statistics. It then reviews recent trends in key business indicators before concluding with a look ahead to 2017, including respondents' plans and their views on key trends shaping the spa industry.

**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 five main parts, including the main elements of indoor space occupied by spa establishments, core spa services, the retail component and the programs and treatment offerings that spas had in place in 2016, including the facility to book online.

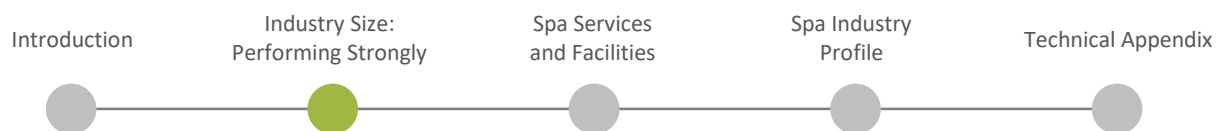
**Section 4 Spa Industry Profile:** This section presents a profile of spa establishments, including composition by type of spa, size differences and the geography of the industry.

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

*Note: Percentage calculations are not based on rounded figures; therefore, totals or sub-totals may differ due to rounding.*



## Section 2 | Industry Size: A Steady Pace of Growth



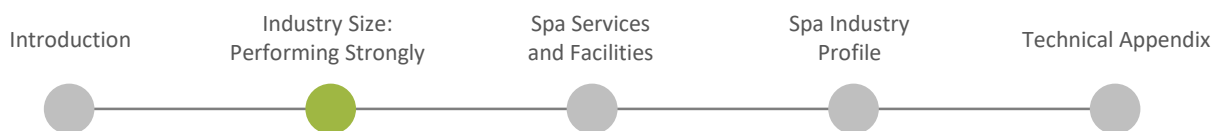
## Section 2: Introduction

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

The following areas 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 2016?
- Looking ahead – what do spas plan to add or create to improve the business in 2017? What are the next ‘big’ new trends that will shape the U.S. spa industry?

This section commences with an overview on the national economic context, especially the pace of growth in the U.S. economy during 2016 and into the first half of 2017.





## The Economic Context

### The U.S.

As measured by the Gross Domestic Product (GDP), the growth in the level of economic activity nationwide slowed to 1.6% in 2016, down from 2.6% in 2015. Nonetheless, the 2016 out-turn marked the seventh year in a row of steady, but positive economic growth.

Employment rose by 1.8% in 2016, slightly below the rate seen in 2015 (+2.1%). Consequently, the unemployment rate continued to fall, dropping below 5% in 2016. At 4.3% in May 2017, the unemployment rate was at its lowest point in 10 years. That signals a tightening labor market which may in turn lead to recruitment difficulties and upward pressure on wages.

On the demand side, incomes and spending have continued to rise. Compensation of employees increased by 3.9% in cash terms in 2016 and posted a similar annualized growth rate in the first quarter of 2017 (+4.1%). In 2016, personal consumption expenditure on services rose by 4.7% in cash terms in 2016 and 2.3% after adjusting for price changes.

Inflation picked up slightly in 2016, rising to 1.3% from 0.1% in 2015. Early indications for 2017 indicate a further rise in the inflation rate, albeit remaining at a modest pace (1.9%).

#### The U.S. economy:

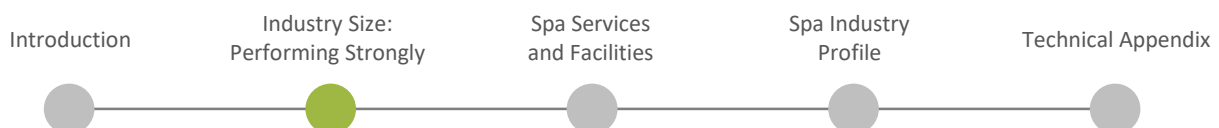
Selected indicators, annual percent change

|   | 2015 | 2016 | 2017(Q1) |
|---|------|------|----------|
| GDP (Constant 2009 \$)                    | 2.6% | 1.6% | 1.2%     |
| Employment                                | 2.1% | 1.8% | 1.6%     |
| Unemployment                              | 5.3% | 4.9% | 4.3%     |
| <b>Compensation of Employees</b>          |      |      |          |
| Current \$                                | 4.8% | 3.9% | 4.1%     |
| <b>Personal Consumption Expenditure *</b> |      |      |          |
| Current \$                                | 4.8% | 4.7% | 3.1%     |
| Constant (2009) \$                        | 2.8% | 2.3% | 0.8%     |
| <b>Consumer Price Index</b>               |      |      |          |
| All items                                 | 0.1% | 1.3% | 1.9%     |

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 2017. Rates shown in constant (2009) \$ are adjusted for inflation.



## The Big Five Statistics: 2016 Out-turn and Percent Change Over 2015

The spa industry registered modest revenue growth of 3.1% in 2016. Total revenue is estimated to have increased from \$16.3 billion in 2015 to \$16.8 billion in 2016. The increase in spa revenues was driven mainly by a rising number of spa visits (+2.5%) and growth in the number of spa locations (+1.1%).

In 2016, new spa openings are estimated to have exceeded spa closures by a margin of 240, bringing the total number of spa locations up to 21,260 from 21,020 in 2015 (+1.1%).

The number of spa visits rose by 2.5%, up from 179 million in 2015 to 184 million in 2016, marking the first time that spa visits have exceeded 180 million.

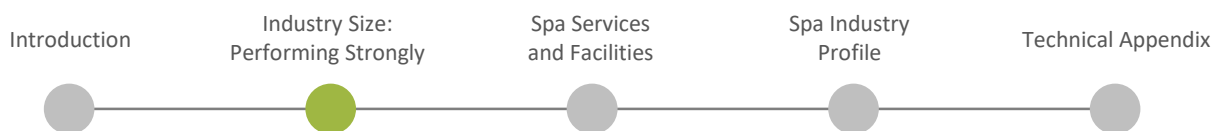
The average revenue per visit increased slightly in 2016, to a little over \$91 (+0.6%).

Overall total employment is estimated to have grown in tandem with the national trend, up by 1.6% to 365,200. Part-time employment expanded at a slightly faster pace (4.2%) than full-time jobs (2.3%) while the number employed on a contract basis continued on a downward trend (-11.4%).

|                   | 2015 (Year End) | 2016 (Year End) | % Change |
|-------------------|-----------------|-----------------|----------|
| Revenue           | \$16.3 billion  | \$16.8 billion  | 3.1%     |
| Spa visits        | 179 million     | 184 million     | 2.5%     |
| Locations         | 21,020          | 21,260          | 1.1%     |
| Revenue per visit | \$90.7          | \$91.3          | 0.6%     |

|                 | 2016 (May) | 2017 (May) | % Change |
|-----------------|------------|------------|----------|
| Total Employees | 359,300    | 365,200    | 1.6%     |
| Full-Time       | 162,000    | 165,800    | 2.3%     |
| Part-Time       | 157,800    | 164,500    | 4.2%     |
| Contract        | 39,500     | 35,000     | -11.4%   |



## Spa Establishments

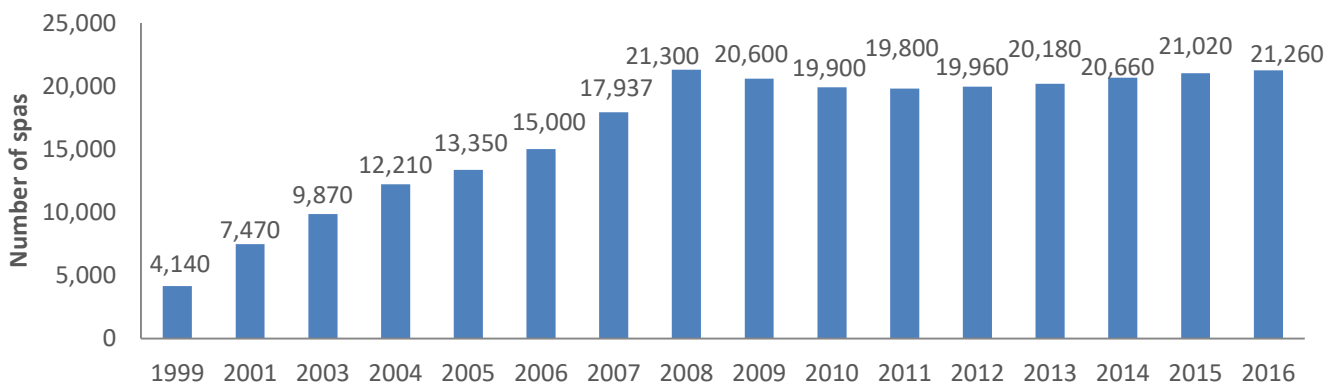
In 2016, the rate at which new spas were opened (3.2%) was slightly slower by comparison with 2015 (4.4%). Nonetheless, as new spa openings continued to out-pace the spa closure rate (2.1% in 2016), there was a net increase in the total number of spa establishments (1.1%).

The number of spa locations is estimated to have risen from 21,020 in 2015 to 21,260 by the end of 2016, an increase of 1.1%.

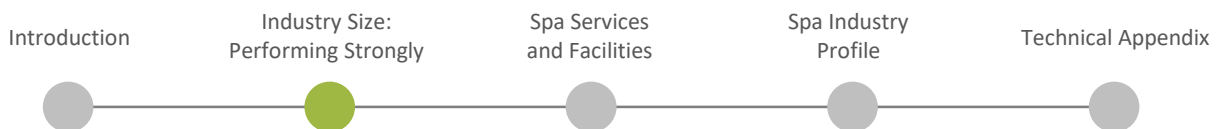
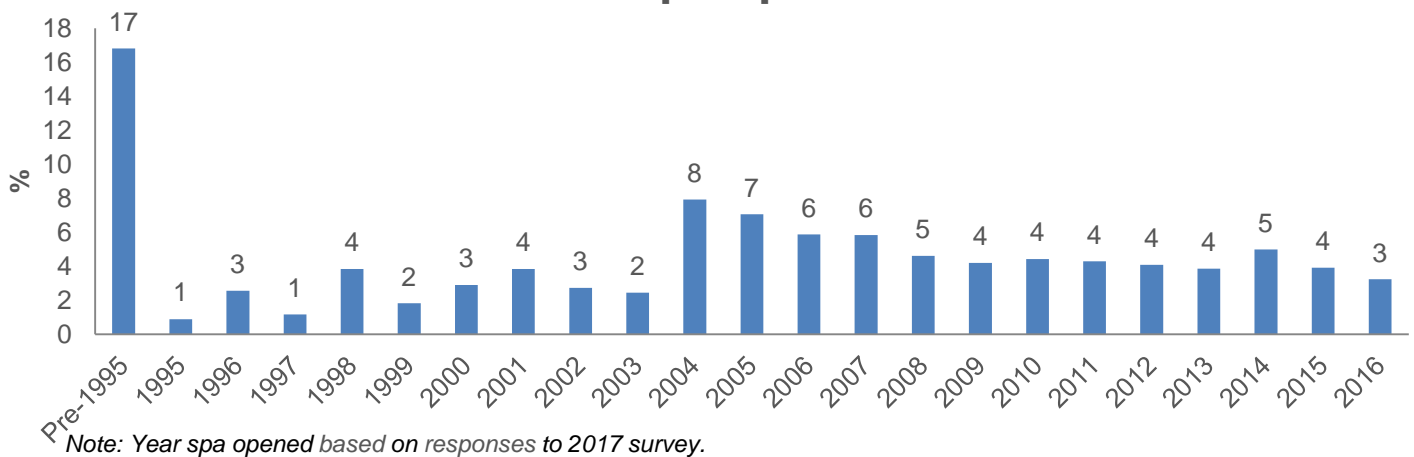
The increase in the number of spa locations reflects the excess of new spa openings over closures of existing spas.

In 2016, there were an estimated 680 new spa openings, adding 3.2% to the number of spas in operation at the end of 2015. The new spa openings were partly offset by an estimated 440 spa closures over the course of 2016, representing 2.1% of the end-2015 stock. The net effect was the addition of around 240 spa locations during 2016 (1.1%).

**Total spa establishments in the U.S.**



**Year spa opened**



## Establishments by type of spa

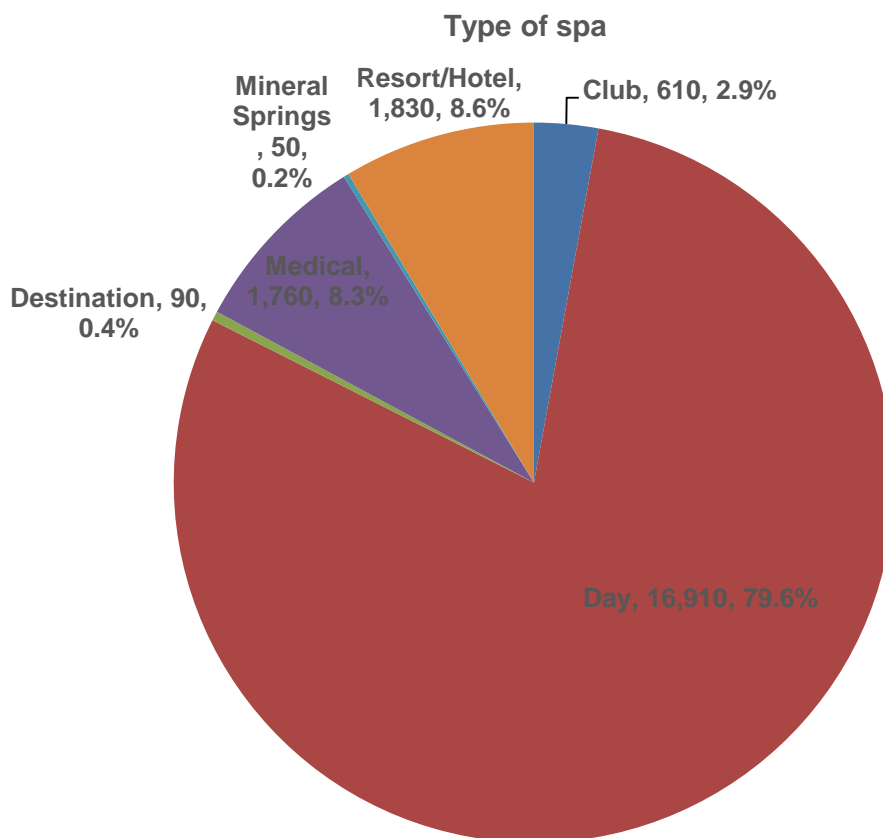
The composition of spa establishments by type in 2016 was very similar to previous years, continuing to reflect the long-standing prominence of the day spa sector, which accounts for four in five spa locations.

According to the latest industry study estimates, there are now over 16,900 day spa establishments operating across the U.S.; an increase of 1.2% compared to the 2015 estimate (16,700).

The number of resort/hotel spas at the end of 2016 is estimated at 1,830, representing a rise of 1.7% on the 2015 level (1,800).

The number of medical spas is estimated to have remained unchanged at 1,760.

Club spa locations are estimated to have risen to 610, a growth of 0.6% on the position in 2015.



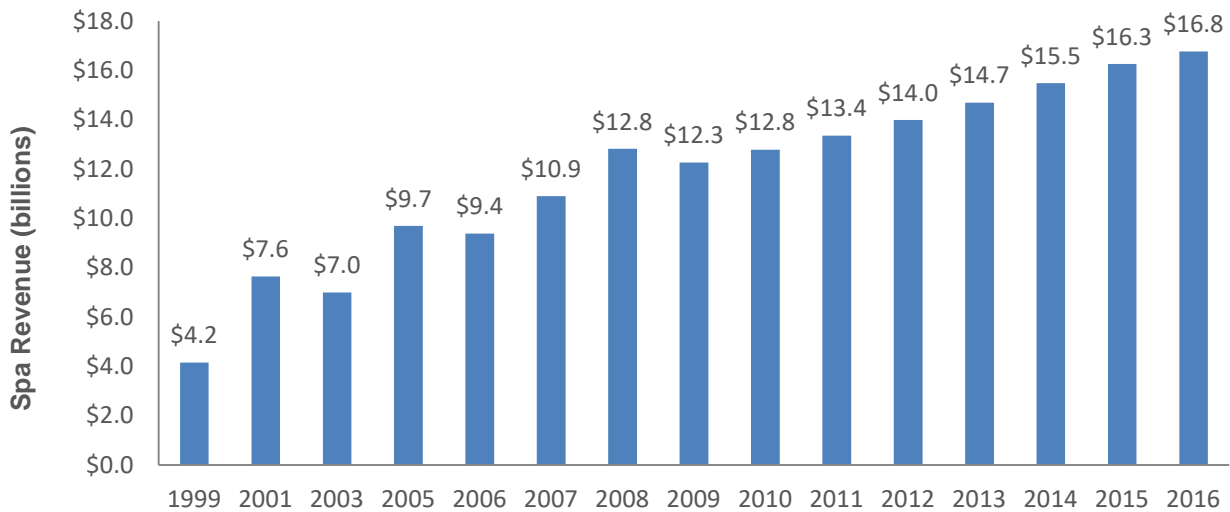
## Spa Revenues

**Total spa revenues for 2016 are estimated at \$16.8 billion, an increase of \$0.5 billion (+3.1%) on total revenue in 2015 (\$16.3 billion).**

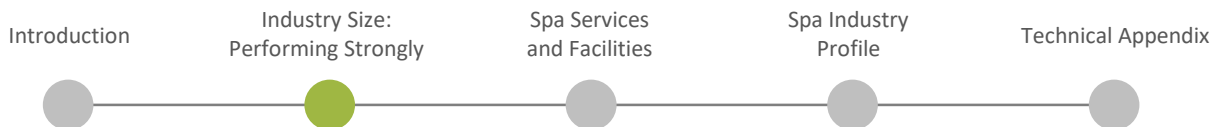
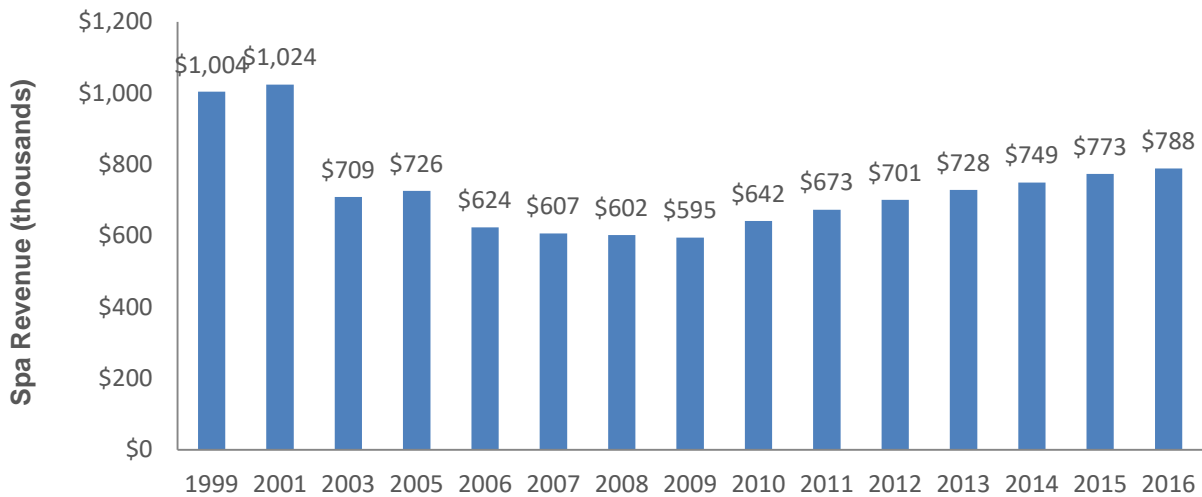
The growth in spa revenues was slower in 2016 compared with 2015, when revenues grew by 5%. Nonetheless, the 2016 out-turn represented the seventh year in a row of positive growth in revenues, following the decline that resulted from the 2009 Great Recession.

Average revenues per spa location rose to \$788,000 in 2016, an increase of 1.9% on the 2015 average of \$773,000. Similar to the picture for total revenues, the pace of growth in average revenues per spa slackened somewhat in 2016 compared to 2015 (+3.2%), but still represented a continuation of the growth that has been evident since the 2009 downturn.

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



**Average revenue per establishment (thousands)**



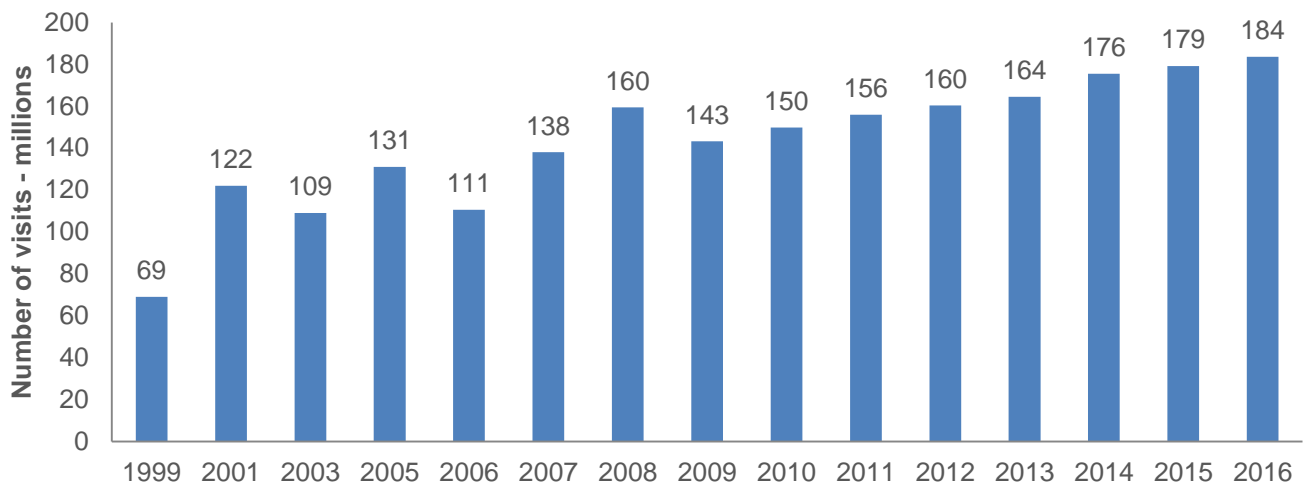
## Spa Visits

The total number of visits to spa establishments is estimated to have risen from 179 million in 2015 to 184 million in 2016.

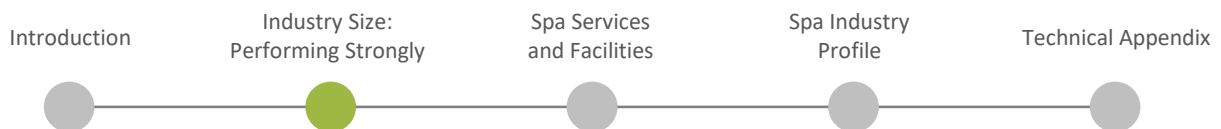
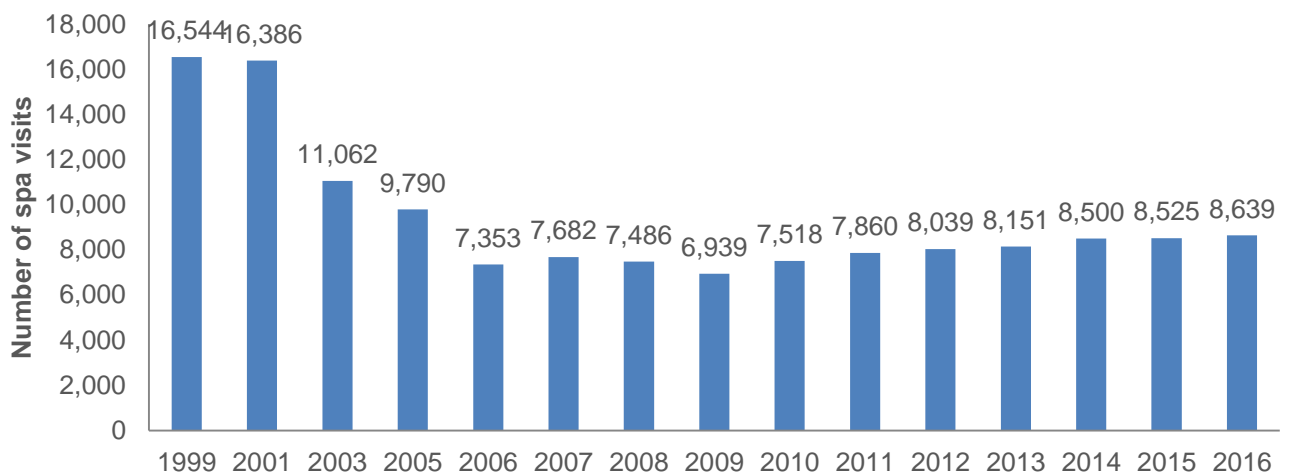
In 2016, total spa visits were 2.5% higher than in 2015. The total number of visits reached a record level in 2016, rising above 180 million for the first time over the 18 years that the Industry Study has been undertaken.

Average visits per spa rose to 8,639, representing an increase of 1.3% compared to 2015. The increase in the average number of visits per spa accounts for about 42% of the \$0.5 billion uplift in revenues between 2015 and 2016.

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



### Average visits per establishment



## Average Spa Revenue Per Visit

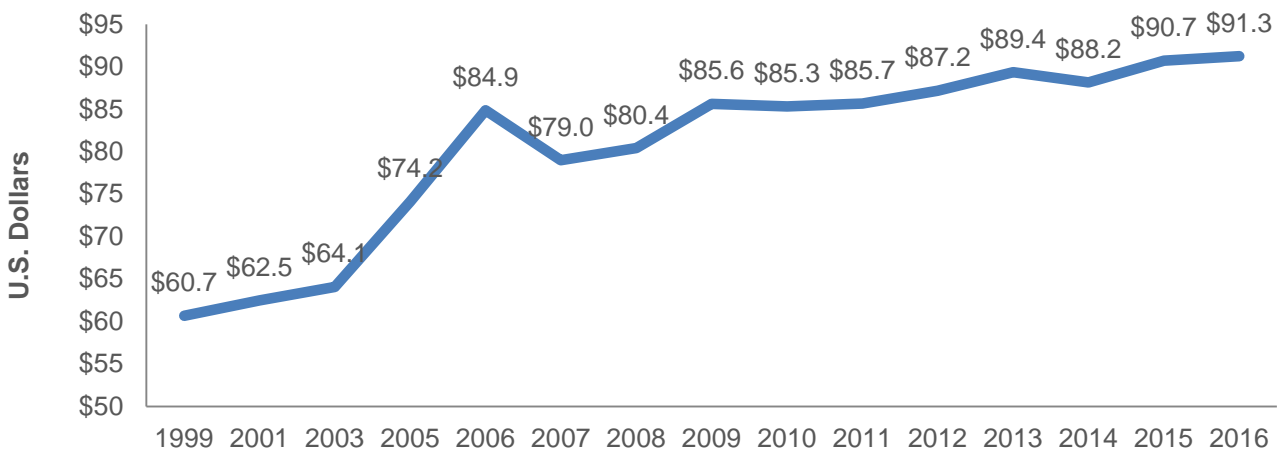
The average revenue per visit in 2016 is estimated at \$91.3, an increase of 0.6% on the 2015 out-turn.

The 0.6% increase in the average spa revenue per visit accounts for about 20% of the \$0.5 billion increase in total spa revenues between 2015 and 2016.

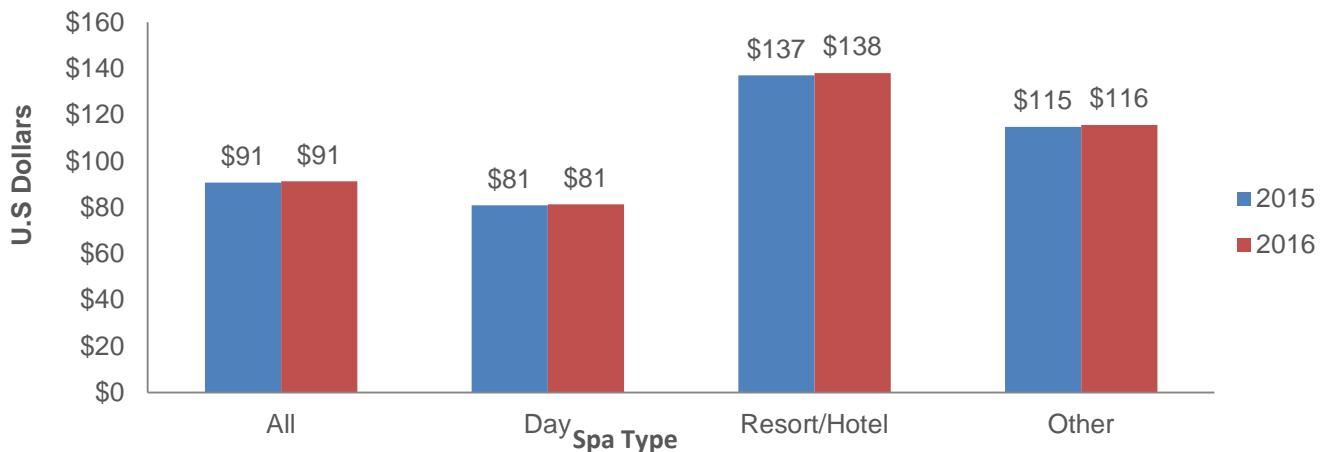
Average revenue per spa visit has tended to fluctuate somewhat from one year to the next. That reflects the range of factors that can affect the average amount that clients spend when they visit a spa, including: the use of incentives such as discounting; pricing in a competitive marketplace; and, changes in the menu of spa offerings, such as the introduction of shorter or express treatments. Nonetheless, it can be seen from the historical trend that the per-visit average has been moving in a broadly upward direction.

Average spend per visit also varies by spa type, ranging from \$81 for day spa visits to \$138 for resort/hotel visits.

Average revenue per spa visit (\$)



Spa revenue per visit



## Employment

Overall total employment is estimated to have risen to 365,200 as at May 2017, a rise of 5,900 (1.6%) compared to the same period in 2016 (359,300).

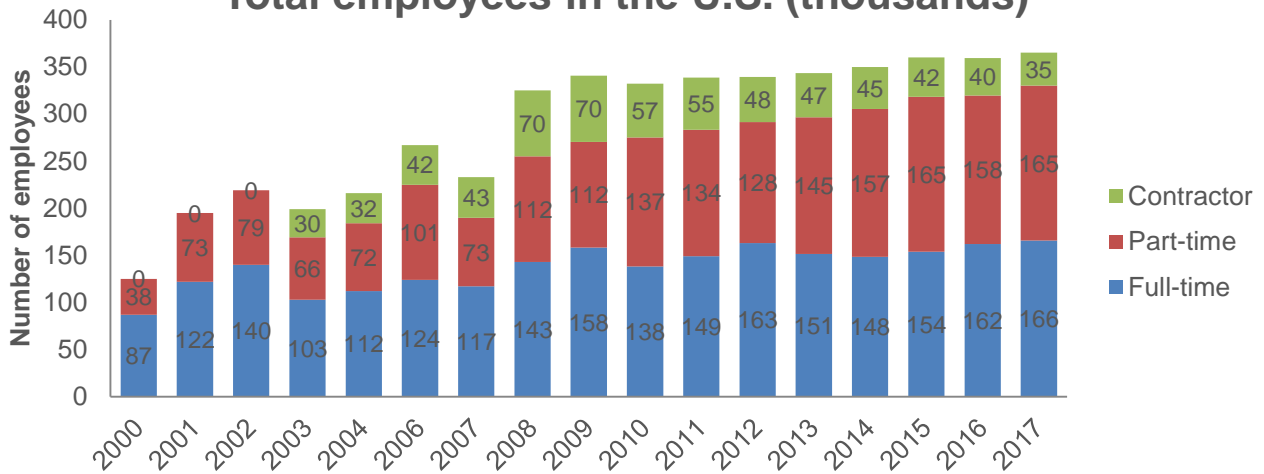
The number of full-time employees is estimated to have risen from 162,000 in 2015 to 165,800 in 2016, a net increase of 3,800 (2.3%). The part-time employee count is estimated to have risen at a faster pace (4.2%) with a net number of new hires adding 6,700 to the spa workforce.

The number of part-time workers is estimated to have risen from 157,800 in 2015 to 164,500 in 2016. In recent years, the part-time workforce has tended to grow more quickly than the full-time workforce so that, as of May 2017, the number of part-time workers was almost equal to the number of full-time employees.

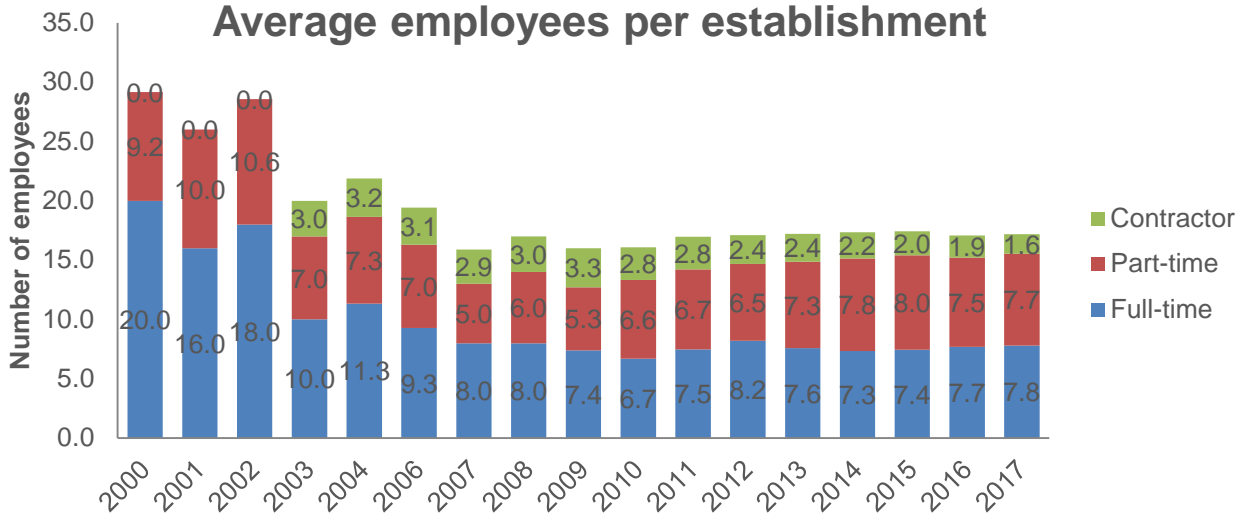
The number of independent contractor positions is estimated to have declined over the period from May 2016 to May 2017, from 39,500 to 35,000 (-11.4%). The reduction in the share of employment filled by independent contractors reflects an ongoing trend, evident since 2010.

*Note: On average, spas consider full-time employees to comprise those who work 32 or more hours per week. The number of hours necessary to be considered a full-time employee is further discussed as a separate topic in the accompanying Supplementary report on compensation.*

### Total employees in the U.S. (thousands)



### Average employees per establishment



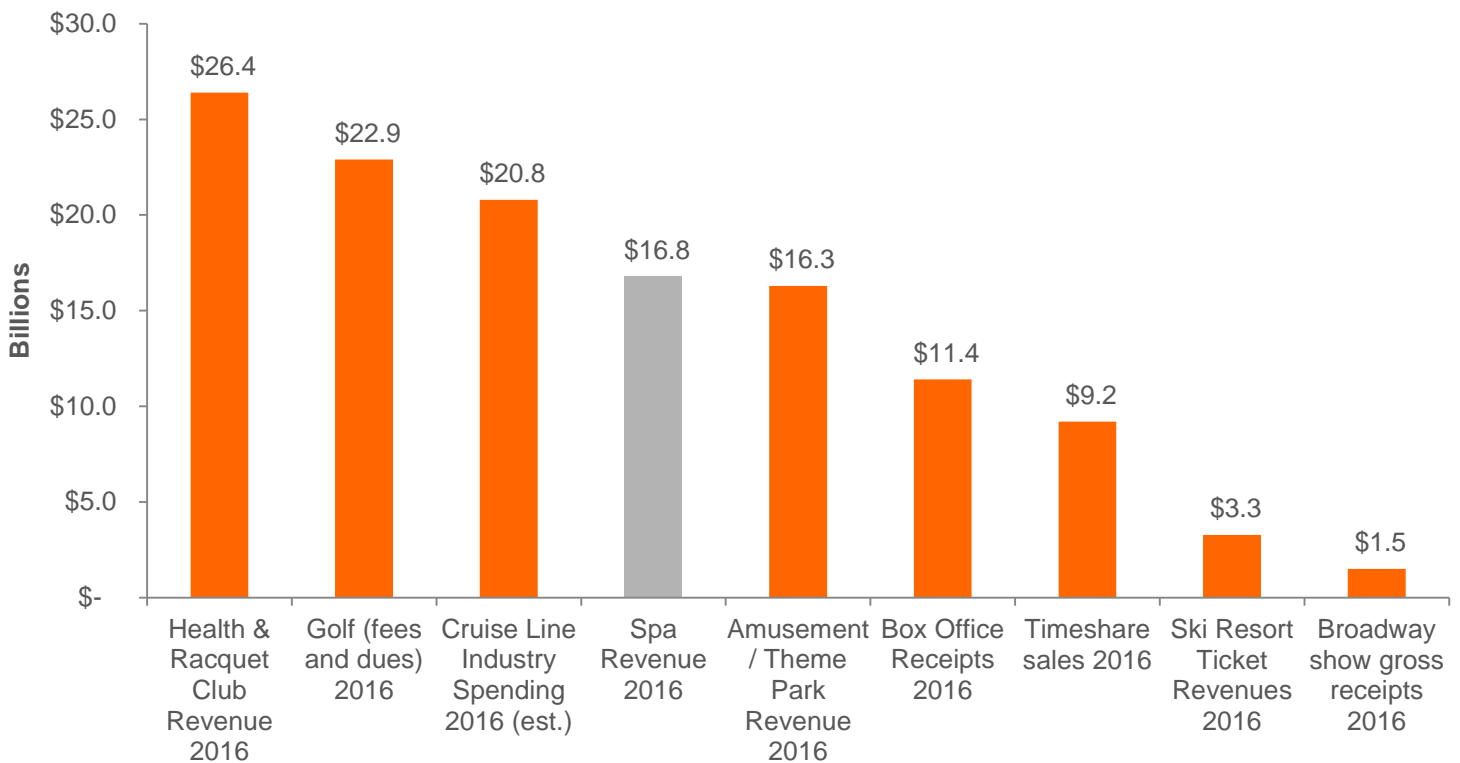


## Comparative Size of the Spa Industry

The accompanying chart shows the size of the spa industry in 2016 compared with the estimated sizes of other U.S. leisure industries, as measured by annual revenues. With revenues of \$16.8 billion in 2016, the spa industry falls within the middle of the range of leisure industries shown below.

Based on the updated industry estimates, the 2016 ranking in revenue terms across the various leisure industries has remained broadly unchanged from the position in 2015.

Estimated sizes of U.S. Leisure Industries



## Recent Demand Trends

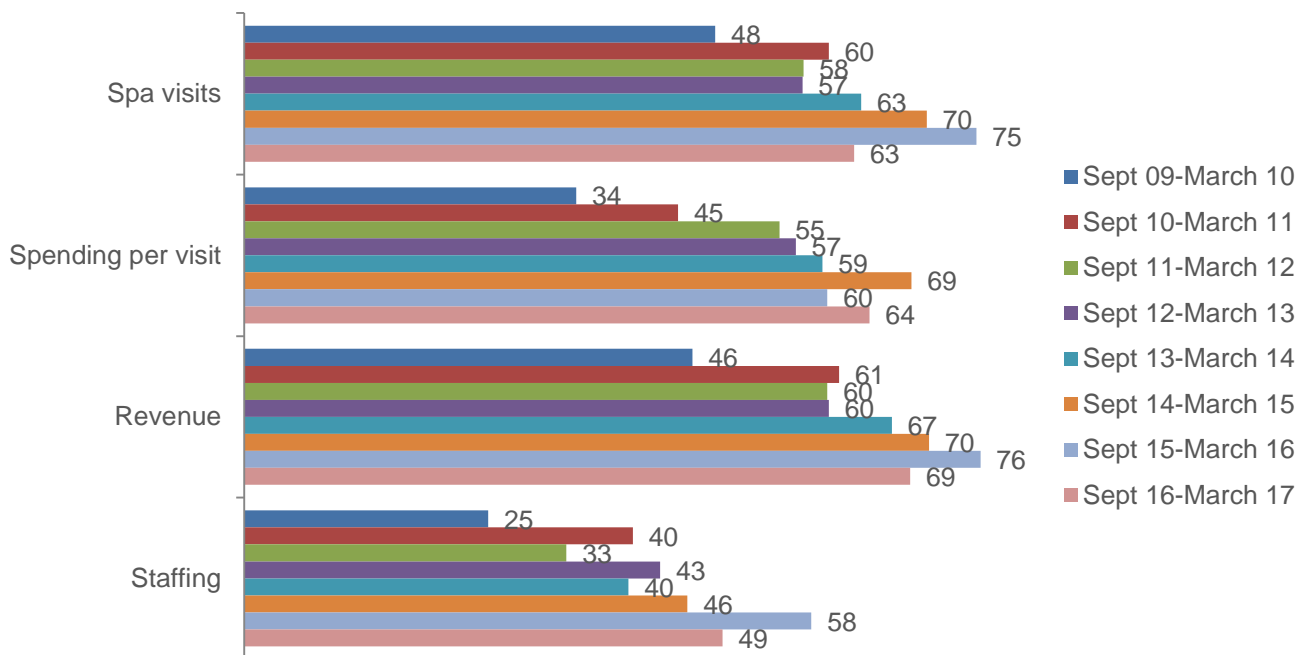
When asked about their more recent experience in the six months prior to the survey (September 2016 to March 2017), the survey results indicate that spa visits, client spending, revenues and staffing have remained in positive territory through the early part of 2017. Although, demand would appear to have softened somewhat when compared with the previous period September 2015 to March 2016.

In order to gauge more recent trends in the industry, survey respondents were asked to say whether, in the period from September 2015 to March 2016, 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, 63% of respondents said that spa visits had increased in the period between September 2016 to March 2017, representing a lower proportion of spas when compared with the six-month period through March 2016 (75%). Similarly, 69% of spas said revenues had increased in the six month period to March 2017, compared with 76% in the period to March 2016. However, the proportion reporting an increase in spending per visit (64%) was slightly up on the previous year (60%).

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

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.

### Spa visits

In the six months from September 2016 to March 2017, 63% of spas said they had experienced an increase in the number of visits while 15% of spas reported a decrease.

The proportion reporting an increase in visits was above average in the resort/hotel sector (70%) and below average in the day spa sector (61%).

### Client spending per visit

The majority of spas (64%) said that client spending per visit had increased in the six months leading up to March 2017. A little over one in five spas (22%) reported no change in client spending per visit with 13% saying that spending per visit had fallen.

The trend in increased spending per visit did not vary much between day spas (63%) and resort/hotel spas (61%).

### 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 (11%) said revenues had decreased.

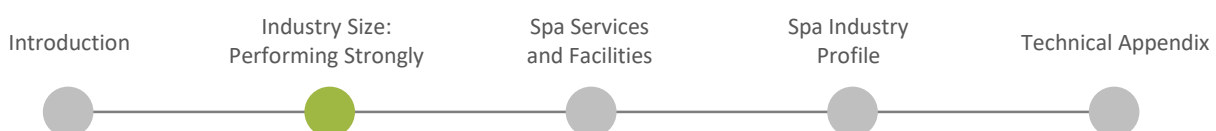
Three in four resort/hotel spas (74%) said revenues were on an increasing trend, compared with just over two in three day spas (68%).

### Staffing levels

Almost one in two spas (49%) said they had increased staffing levels in the last six months compared to the same period in the previous year. One in five spas (20%) said their staffing levels were decreasing with the remaining 31% saying that staffing levels had remained unchanged.

The trend toward increasing staffing levels was weakest among resort/hotel spas, with 37% saying they were increasing employment compared to 49% of day spas.

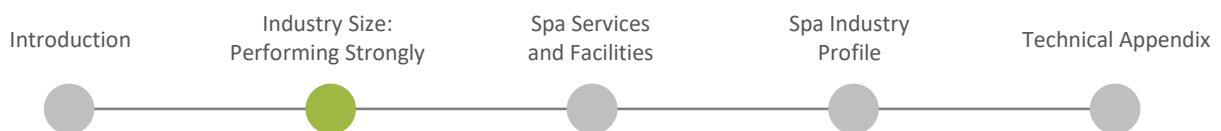
Staffing issues, including unfilled positions and compensation levels, are examined in greater detail in the Compensation Report, published separately.



## Recent Demand Trends

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

| Spa visits                | All | Day | Resort/Hotel | Other |
|---------------------------|-----|-----|--------------|-------|
| Decreased                 | 15% | 15% | 20%          | 13%   |
| No change                 | 22% | 24% | 11%          | 15%   |
| Increased                 | 63% | 61% | 70%          | 71%   |
| Client spending per visit |     |     |              |       |
| Decreased                 | 13% | 14% | 10%          | 12%   |
| No change                 | 22% | 23% | 29%          | 14%   |
| Increased                 | 64% | 63% | 61%          | 74%   |
| Revenue                   |     |     |              |       |
| Decreased                 | 11% | 10% | 14%          | 14%   |
| No change                 | 21% | 22% | 12%          | 15%   |
| Increased                 | 69% | 68% | 74%          | 71%   |
| Staffing levels           |     |     |              |       |
| Decreased                 | 20% | 20% | 22%          | 19%   |
| No change                 | 31% | 31% | 41%          | 23%   |
| Increased                 | 49% | 49% | 37%          | 59%   |



## Profitability

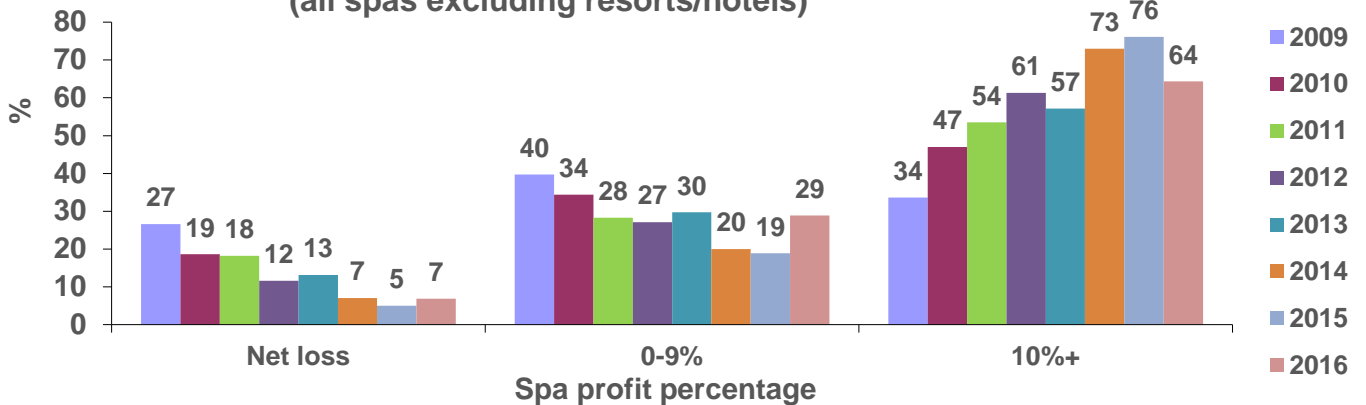
Excluding the resort/hotel sector, the profitability performance of spas was more muted in 2016 compared with 2015, perhaps reflecting the slower pace of revenue growth.

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.

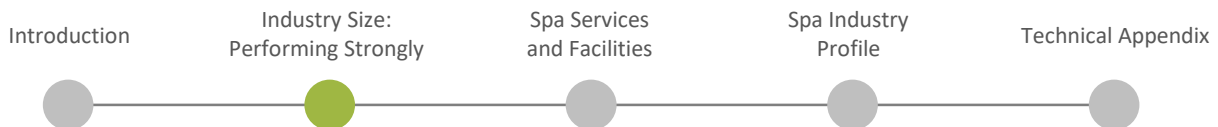
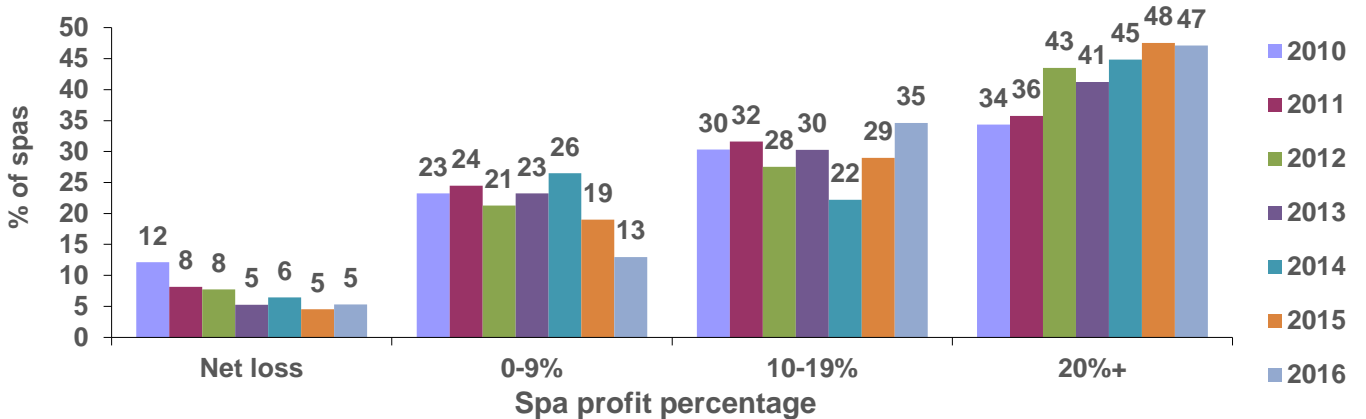
Excluding the resort/hotel sector, 64% of spas reported a 2016 profit percentage in excess of 10%; a reduction compared to the 2015 out-turn when 76% reported profits of 10% or more. There was an increase in the proportion of spas with a more modest profit performance, in the range 0% to 9%, up from 19% in 2015 to 29% in 2016. However, the proportion saying they experienced a net loss did not change much, up from 5% in 2015 to 7% in 2016.

Within the resort/hotel sector, almost one in two spas (47%) reported a spa profit percentage in excess of 20% for 2016 and 35% saying that the profit percentage was in the range of 10-19%. Overall, over four in five resort/hotel spas (82%) reported a profit percentage of 10% or more, slightly up from 77% in 2015.

**Profit percentage before fixed charges: 2009 to 2016**  
(all spas excluding resorts/hotels)



**Spa profit percentage - resort/hotel spas**



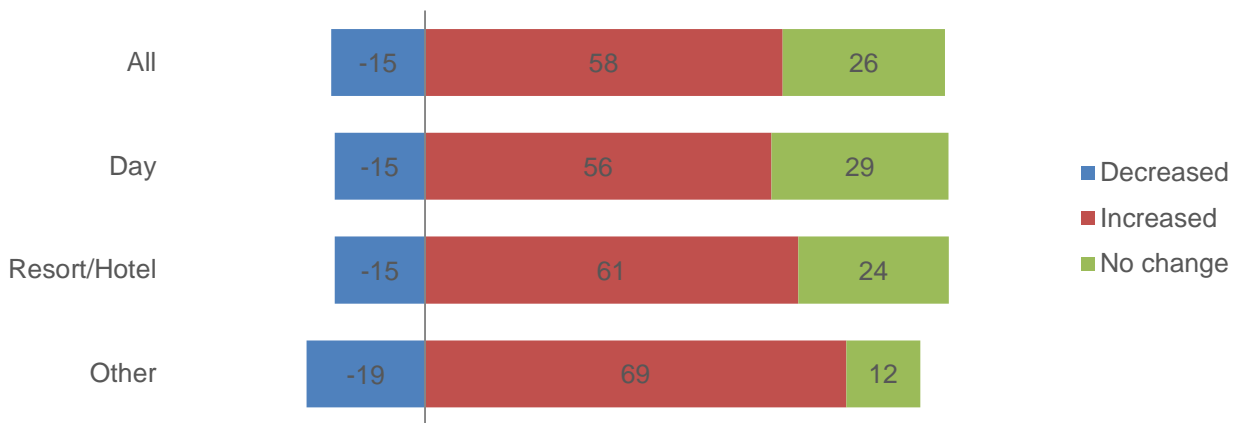
### Profitability: Recent Trends

When asked about their more recent experience in the six months prior to the survey (September 2016 to March 2017), 58% of spas said that profitability had improved compared to the same period one year previously. That was a reduction of 13 percentage points compared to the previous period from September 2015 to March 2016 when 71% said profitability was improving.

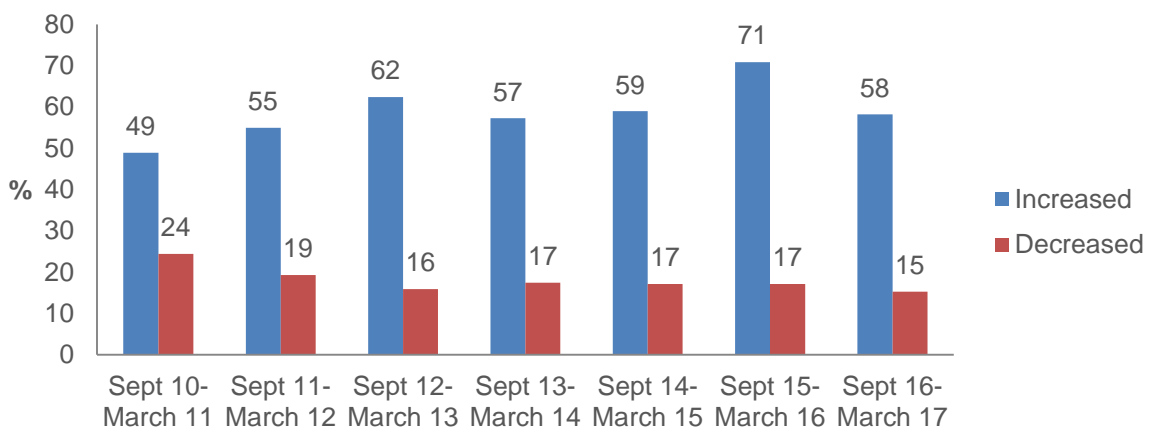
The proportion reporting increased profitability over the six months between September 2016 to March 2017 ranged from 56% in the day spa sector to 69% among the other spa category, with resort/hotel spas occupying an intermediate position (61%).

Relatively few spas said that profitability had fallen in the six month period, 15% overall and similar proportions of both day spas and resort/hotel spas.

**Profitability by spa type**  
experienced in past six months (Sept 2016 to March 2017)



**Profitability trend**



## Looking Ahead: Plans for 2017

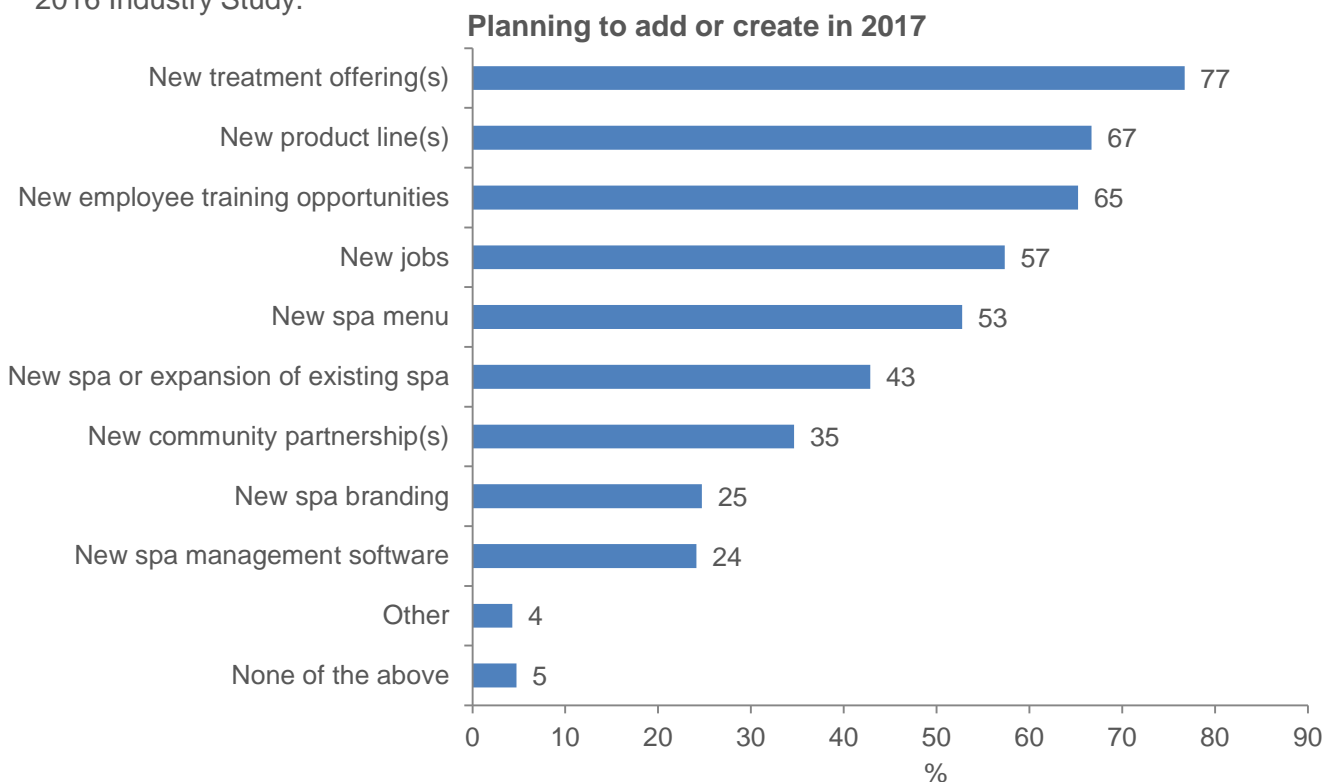
**When asked about their plans for 2017, almost all spas (95%) said they were planning to add or create a range of enhancements to their business.**

Most frequently, spas aim to expand the range of choices available to their clients. Over three in four (77%) said they would be adding or creating new treatment offerings while two in three spas (67%) said they would be introducing new product lines and 53% planned the creation of a new spa menu. The proportions did not vary greatly by type of spa, except that resort/hotel spas were more likely than day spas to indicate a new spa menu (64% versus 54%).

Spas also plan on taking measures to ensure they have the capacity to take their business forward in 2017, with 65% saying they intended adding or creating new employee training opportunities and 57% planning to create new job opportunities in 2016. A new spa or expansion of an existing spa was mentioned by 43% of spas. Capacity enhancements were more likely to be cited by day spas than by resort/hotel spas, notably in respect of creating new jobs (62% of day spas compared with 37% of resort/hotel spas) and the addition of a new spa or extension of an existing spa (47% versus 26%).

Spas are also planning to continue reaching out to their local communities, with over one in three spas (35%) saying they planned to add or create new community partnerships. Marketing efforts are also apparent in the 25% of spas saying they will create new spa branding, albeit down from 38% in the 2016 Industry Study.

Almost one in four spas (24%) plan to introduce new spa management software, up from 19% in the 2016 Industry Study.

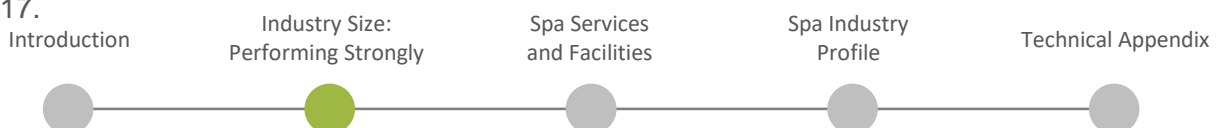


## Looking Ahead: New Trends Shaping the Spa Industry

Survey respondents were asked to give their views on what they believe will be the next big new trend that will shape the spa industry over the next year or so. The following is a summary of their responses.

- **Wellness, health and fitness** remained the most frequently cited trend affecting the spa industry, mentioned by almost one in three spas (32%), including 42% of respondents in the resort/hotel sector and 25% of day spas. As noted by one such respondent: *“Wellness continues to trend, along with more integrated spa options and programs.”*
- The use of **organic/natural products** was identified by one in eight spas (12%), often linked to themes around sustainability and local sourcing, i.e. *“Natural ingredients, sustainable manufacturing, and local products are trending for 2017”.*
- A little over one in 10 spas (11%) saw an increasing use of **alternative treatments and therapies**, such as Ayurvedic therapies, reiki, energy work and salt therapy. Often, the use of alternative therapies was coupled with organic/natural products, i.e. *“Use of alternative therapies, combined with organic products with high levels of active ingredients”.*
- **Stress management** – Eight percent of respondents pointed to trends around stress management, encompassing practices such as mindfulness and mediation for stress relief and also the incorporation of approaches such as lifestyle coaching into the work of the spa. Drivers such as digital detox/disconnection and the need to ‘unplug’ were also mentioned by some spas. Often, spas linked stress management themes to desired outcomes around wellness, i.e. *“Spas will be incorporating mindfulness into their wellness services”.*
- Trends around making use of **technology and adapting to e-commerce** were mentioned by 8% of respondents, creating new business demands such as online booking, increasing their use of social media and online promotion and marketing. Technology trends were also linked to a growing millennial market, i.e. *“Millennials and technology and how both are being used are completely changing the way brand awareness and business is being conducted”.*
- **Customization and personalization** of services to the individual needs of clients was cited by 7% of respondents. Spas identifying this trend tended to emphasize the importance of the client’s spa experience and expanding the choice of services, i.e. *“Back to customer service individualized and personal”.*
- **Skin care** related trends were quoted by 7% of respondents, including both products and treatments, i.e.: *“Advanced/results oriented skincare treatment”.*
- **Medical and healthcare** trends were highlighted by 6% of respondents, most often linked to increased demand for medical spa treatments or services, including in areas such as skin care and anti-ageing, i.e. *“Spa skin services that borderline medical treatments”.*

Other trends mentioned included an increased emphasis on events, gatherings and group bookings (4%), characterized by one respondent as *“the social spa”*. Spas also mentioned trends around ‘spa on demand’ (3%), anti-ageing (3%) and memberships (1%). Five percent said they did not know what would be the latest trend or that there are no new trends looming in 2017.





## Key Points Summary

### The economic context

In 2016, the U.S. economy continued to grow, but at a modest pace. As measured by the Gross Domestic Product (GDP), the growth in the level of economic activity nationwide slowed to 1.6% in 2016, down from 2.6% in 2015. However, with the economy posting a seventh successive year of output expansion, the labor market continued to tighten, with a 1.8% expansion in the number in employment underpinning a further fall in the unemployment rate, which fell below 5% in 2016.

### The industry in 2016: Steady Growth

Total spa revenues for 2016 are estimated at \$16.8 billion, an increase of \$0.5 billion on total revenue in 2015 (\$16.3 billion). At 3.1%, the growth in spa revenues was slower in 2016 compared with 2015 when revenues grew by 5%. Nonetheless, the 2016 out-turn represented the seventh year in a row of positive growth in spa revenues, following the decline that resulted from the 2009 Great Recession.

The increase in spa revenues was driven by a rising number of spa visits (+2.5%) combined with further expansion in the number of spa locations (+1.1%) and a modest increase in average revenue per spa (+0.6%).

The number of spa locations is estimated to have risen from 21,020 in 2015 to 21,260 by the end of 2016; a net increase of 240 new spa establishments.

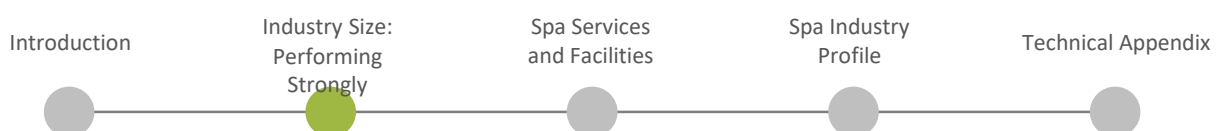
The total number of visits to spa establishments is estimated to have increased from 179 million in 2015 to 184 million in 2016, rising above 180 million for the first time over the 18 years that the Industry Study has been undertaken and taking visits to a record level.

The average revenue per spa visit in 2016 is estimated at \$91.3, representing a modest 0.6% uplift on the 2016 average (\$90.7).

Total employment is estimated to have risen to 365,200 as of May 2017, a rise of 5,900 (+1.6%) compared to the same period in 2016 (359,300).

The number of full-time employees increased from 162,000 in 2015 to 165,800 in 2016, a net increase of 3,800 (+2.3%). The part-time employee count rose at a faster pace (+4.2%), with a net 6,700 new hires bringing the part-time component of the spa workforce up from 157,800 in 2015 to 164,500 in 2016. In recent years, the part-time workforce has tended to grow more quickly than the full-time complement so that, as of May 2017, the number of part-time workers was on a par with the number of full-time employees.

The number of independent contractor positions is estimated to have declined over the period from May 2016 to May 2017, from 39,500 to 35,000 (-11.4%). The reduction in the share of employment filled by independent contractors reflects an ongoing trend, evident since 2010.



## Key Points Summary

### Profitability

Perhaps reflecting the slower pace of revenue growth, the profitability performance of spas was more muted in 2016 compared with 2015. Excluding the resort/hotel sector, 64% of spas reported a 2016 profit percentage in excess of 10%, a reduction compared to the 2015 out-turn when 76% reported profits of 10% or more. There was a corresponding increase in the proportion of spas with a more modest profit performance, in the range 0% to 9%, up from 19% in 2015 to 29% in 2016.

However, profitability levels remained broadly stable in the resort/hotel sector. Almost one in two resort/hotel spas (47%) reported a spa profit percentage in excess of 20% for 2016 with a further 35% saying that the profit percentage was in the range of 10-19%. Overall, over four in five resort/hotel spas (82%) reported a profit percentage of 10% or more, slightly up from 77% in 2015.

### Recent trends: A Positive Outlook

The outlook for growth in 2017 remains positive. When asked about their recent experience in the six months prior to the survey (September 2016 to March 2017), the majority of respondents said they were experiencing increases in spa visits (63%), spending per visit (64%), revenue (69%) and profitability (58%). Although, when compared with the previous period from September 2015 to March 2016, the proportions reporting an increase were slightly lower in relation to visits (down from 75%), revenues (76% in the previous period) and profitability (71%).

A little under one in two spas (49%) said their staffing numbers had been increasing in the period between September 2016 to March 2017, compared with the 58% reporting a staffing increase in the 2016 Industry Study when spas were asked about that same period.

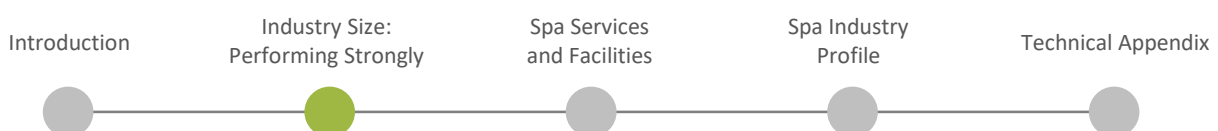
Overall, the demand indicators suggest that spas remain on an upward trend in 2017, but maintaining a modest trajectory.

### Looking ahead: Plans for 2017

When asked about their plans for 2017, almost all spas (95%) said they were planning to add or create a range of enhancements to their business. Most frequently, spas aim to expand the range of choices available to their clients. Over three in four spas (77%) said they would be adding or creating new treatment offerings while two in three spas (67%) said they would be introducing new product lines and 53% planned the creation of a new spa menu.

Spas also plan on taking measures to ensure they have the capacity to take their business forward in 2017, with 65% saying they intended adding or creating new employee training opportunities and 57% planning to create new job opportunities in 2016. A new spa or expansion of an existing spa was mentioned by 43% of spas.

Spas are also planning to continue reaching out to their local communities, with over one in three spas (35%) saying they planned to add or create new community partnerships. One in four spas (25%) stated their intention to create new spa branding, albeit down from 38%. A similar proportion (24%) has plans to introduce new spa management software in 2017.



## Key Points Summary

### New Trends: Wellness Continues to Trend

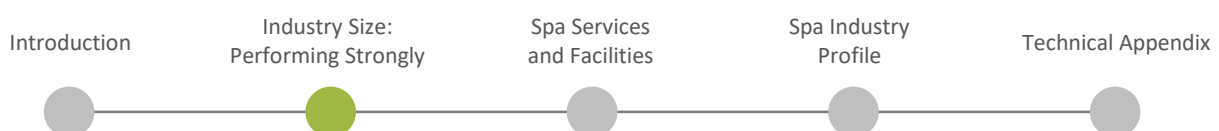
Survey respondents were also asked to give their views on what they believe will be the next big new trend that will shape the spa industry over the next year or so.

Wellness, health and fitness remained by far the most frequently cited trend affecting the spa industry, mentioned by almost one in three spas (32%), including 42% of respondents in the resort/hotel sector and 25% in the day spa sector.

The use of organic/natural products was identified by one in eight spas (12%), often linked to themes around sustainability and local sourcing. A little over one in 10 spas (11%) saw an increasing use of alternative treatments and therapies. Trends related to stress management were cited by 8% of respondents, often allied to desired outcomes around wellness.

Trends around making use of technology and adapting to e-commerce were mentioned by 8% of respondents, creating new business demands such as online booking, increasing their use of social media and online promotion and marketing. The 2016 Industry Study is the first in which technology-related trends have been cited as often.

Other trends mentioned included: customization and personalization of services to the individual needs of clients (7%); skin care related trends (7%); medical and healthcare (6%); and an increased emphasis on events, gatherings and group bookings (4%), characterized by one respondent as "*the social spa*".



## Section 3 | Spa Services and Facilities



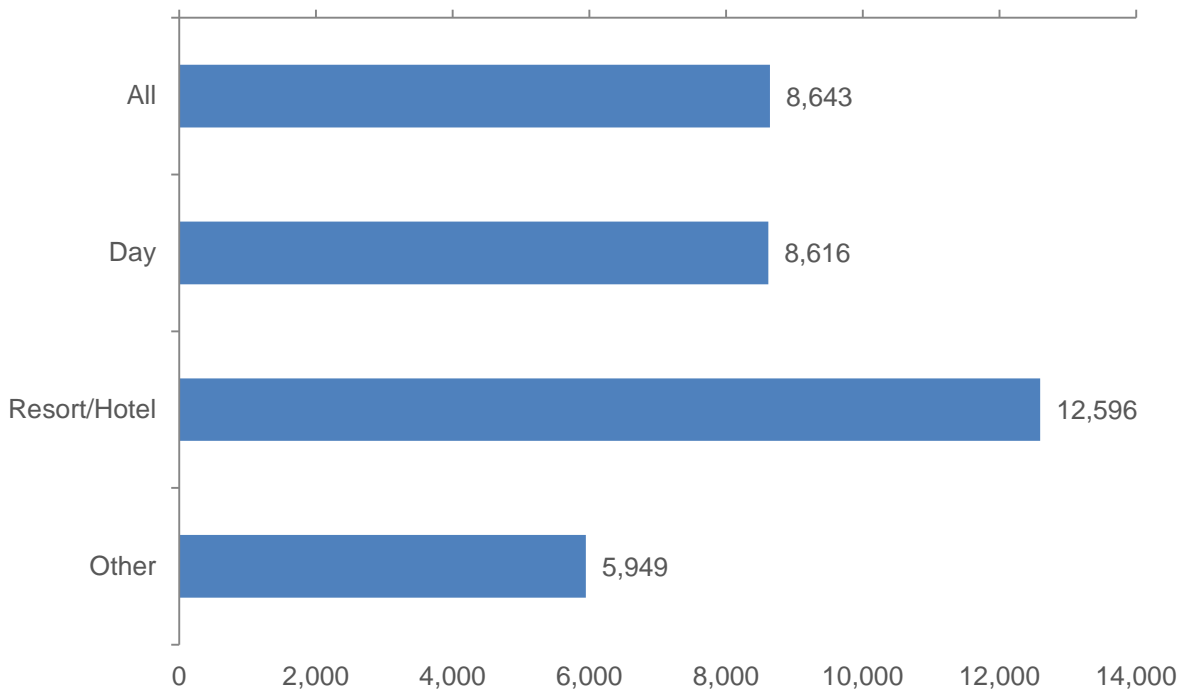
### Section 3: Introduction

In 2016, spas received an estimated 184 million client visits. 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 total square footage of spa facilities and the average by type of spa.
- The elements included in the facilities that spas operate.
- The core types of services offered by spas and average prices per service.
- The retail element in spa facilities – range of product types and average value of purchases per guest.
- Offerings in place in 2016.
- Spa treatment bookings made online.

Average number of spa client visits per spa



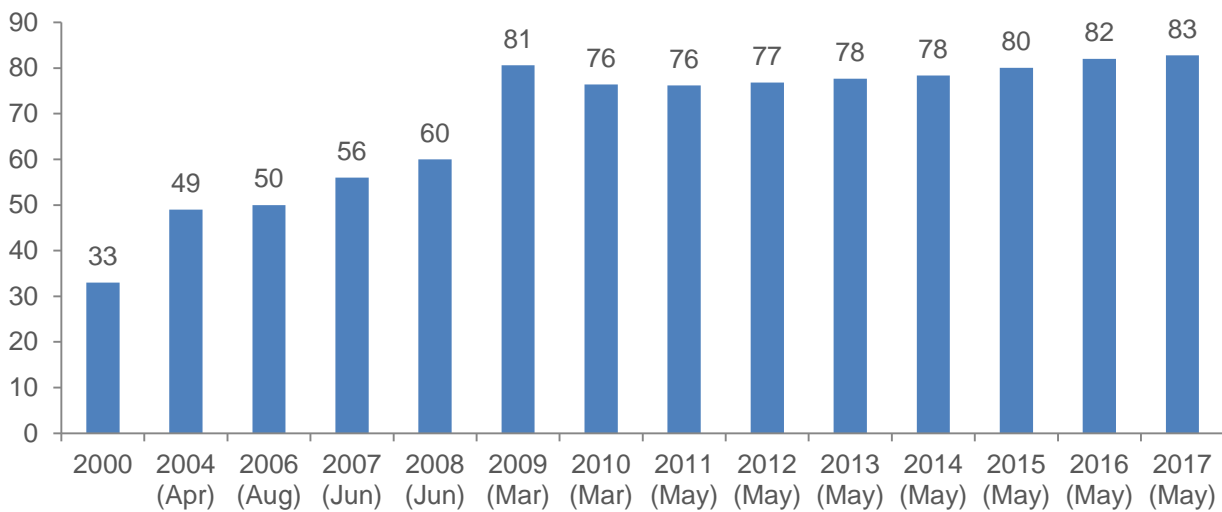
## Total Square Footage

As of May 2017, total indoor floor space stood at an estimated 83 million square feet; an increase of 0.9% compared to May 2016.

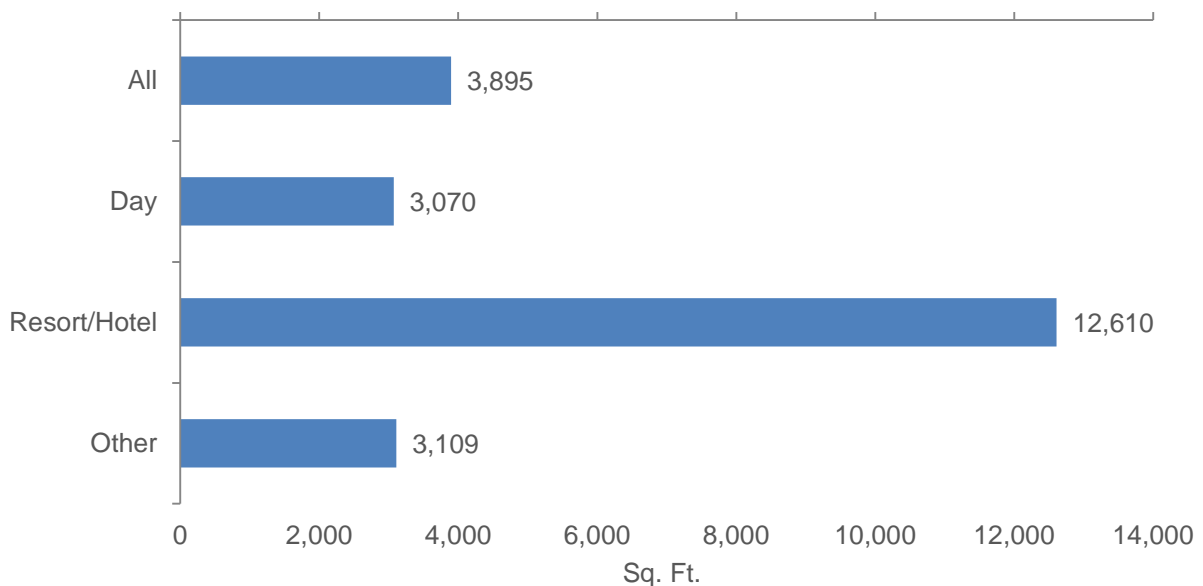
The average square footage per establishment as of May 2017 was 3,900, unchanged from the May 2016 figure.

Average square footage varies by spa type, from 12,610 in resort/hotel spas to 3,070 in the day spa sector.

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



Average square footage per establishment



## Indoor Square Footage: Elements

Treatment rooms and a retail component are found in nearly all spas, regardless of the type of spa. The incidence of other elements of indoor square footage varies by type of spa.

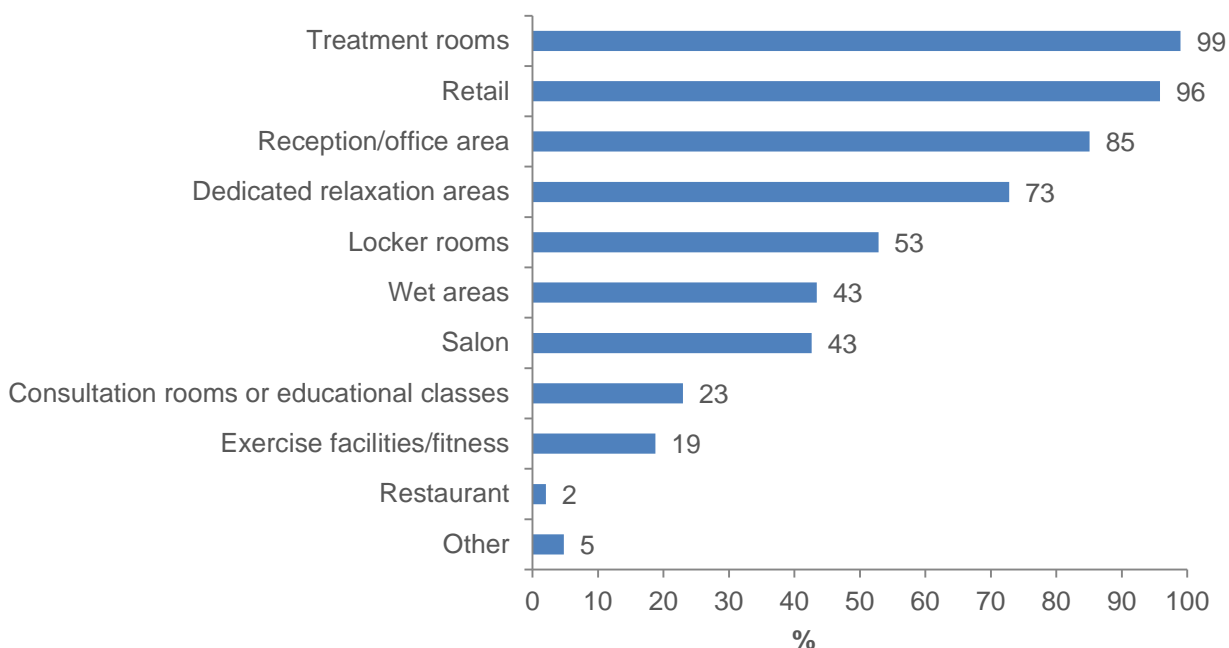
The table following this page shows the elements of indoor square footage by type of spa.

All resort/hotel spas have treatment rooms and retail space. In addition, the vast majority also contain reception/office areas (96%), locker rooms (94%), dedicated relaxation areas (92%) and wet areas (85%). Seven in ten resort/hotel spas also contain a salon (70%) while 57% offer exercise and fitness facilities. The average resort/hotel spa contains seven of the elements listed in the accompanying chart.

Day spas typically contain five of the main elements of indoor square footage. In addition to treatment rooms (99%) and retail (96%), dedicated relaxation areas are frequently available in day spas (75%). Over one in two days spas (51%) make locker rooms available to their clients. Wet areas are available in 42% of day spas while 41% contain a dedicated salon element. An office/reception area is found in 84% of day spas.

The other spa category comprises a mix of spa types (club spas, medical spas, destination spas and mineral springs spas) which is reflected in the wider range of indoor floor-space elements. The inclusion of medical spas within the other category is reflected in the proportion citing consultation rooms or educational classes; 41% compared to the overall average of 23%. Salon areas are less frequently contained within the other category; 30% compared to an overall average of 43%. However, similar to day spas and resort/hotel spas, the vast majority in the 'other' spas contain treatment rooms (98%), retail (93%) and a reception/office area (84%).

Elements of indoor square footage



## Indoor Square Footage: Elements by Spa Type

|   | All | Day | Resort/Hotel | Other |
|---|-----|-----|--------------|-------|
| Treatment rooms                           | 99% | 99% | 100%         | 98%   |
| Retail                                    | 96% | 96% | 100%         | 93%   |
| Reception/office area                     | 85% | 84% | 96%          | 84%   |
| Dedicated relaxation areas                | 73% | 75% | 92%          | 44%   |
| Locker rooms                              | 53% | 51% | 94%          | 35%   |
| Wet areas                                 | 43% | 42% | 85%          | 20%   |
| Salon                                     | 43% | 41% | 70%          | 30%   |
| Consultation rooms or educational classes | 23% | 21% | 20%          | 41%   |
| Exercise facilities/fitness               | 19% | 15% | 57%          | 17%   |
| Restaurant                                | 2%  | 1%  | 7%           | 4%    |
| Other                                     | 5%  | 5%  | 1%           | 6%    |
| Average number of elements                | 5.4 | 5.3 | 7.2          | 4.7   |



## Types of Services Offered

The main services provided by spas are skin care services (95%) and massage services (92%), followed by body services (76%) and salon services (64%). 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 5.5 types of services compared to 4.1 among day spas.

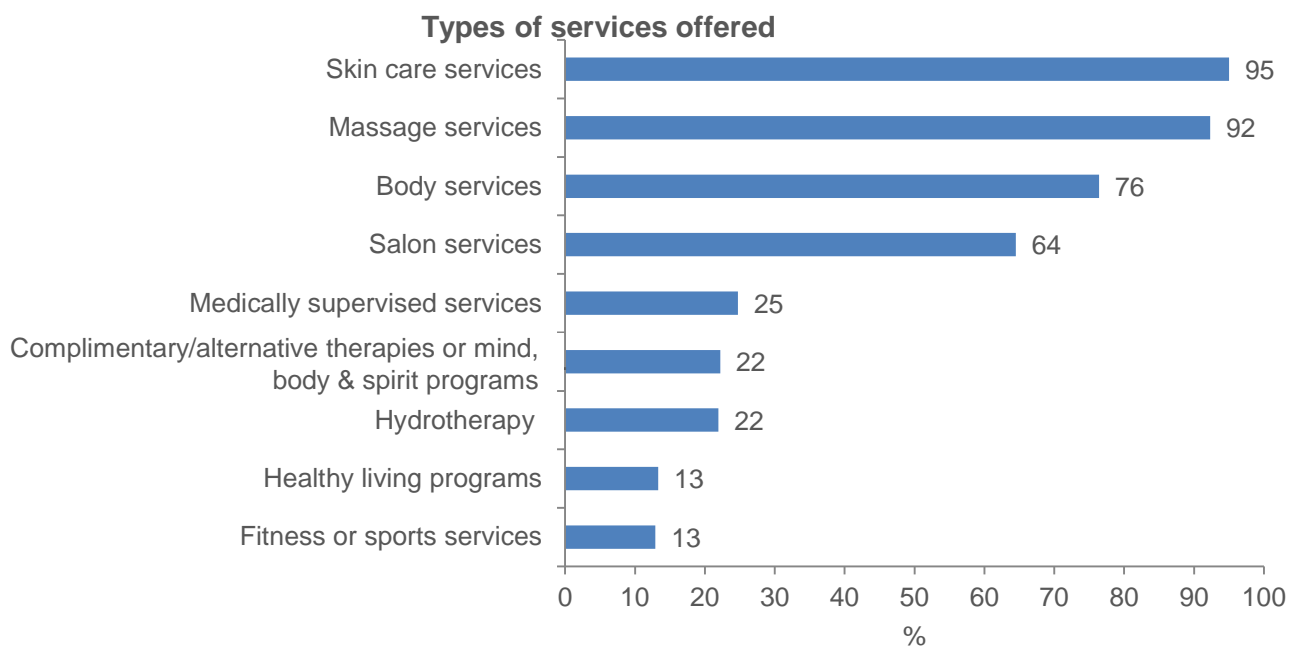
Body services are widely available in resort/hotel spas (100%) compared to 77% of day spas and 58% of spas in the combined 'other' spa category. Salon services are available in 86% of resort/hotel spas compared with 66% of day spas.

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 (22%), ranging from 46% of resort/hotel spas to 20% of day spas and 15% of establishments in the 'other' spa category.

Complementary or alternative therapies or mind, body and spirit programs, such as acupuncture, reiki and yoga, are available in 22% of spas, including almost one in two resort/hotel spas (48%) and one in three spas in the combined 'other' spa category (32%).

Over one in eight spas (13%) said they offer healthy living programs (i.e., smoking cessation, weight loss, etc.), most frequently in the combined 'other' spa category (34%), which includes medical spas, club spas and destination spas. Fitness or sports services are most often found in resort/hotel spas (55%).

One in four spas (25%) offer medically supervised services. Reflecting the medical spa effect, such services are most often found in the 'other' spa category (70%).



## Product Offering: Core Spa Services

|   | All | Day | Resort/Hotel | Other |
|---|-----|-----|--------------|-------|
| Skin care services  | 95% | 95% | 100%         | 93%   |
| Massage services  | 92% | 96% | 100%         | 65%   |
| Body services   | 76% | 77% | 100%         | 58%   |
| Salon services  | 64% | 66% | 86%          | 41%   |
| Medically supervised services                                       | 25% | 20% | 7%           | 70%   |
| Complementary/alternative therapies or mind, body & spirit programs | 22% | 18% | 48%          | 32%   |
| Hydrotherapy  | 22% | 20% | 46%          | 15%   |
| Healthy living programs   | 13% | 11% | 11%          | 34%   |
| Fitness or sports services  | 13% | 6%  | 55%          | 26%   |
| Average number of services  | 4.2 | 4.1 | 5.5          | 4.3   |



## Massage Treatments Offered

Spas offer a wide range of massage treatments. Among the 92% of spas offering massage treatments, the average number of different treatments available to clients is a little over seven. The average does not vary greatly by type of spa.

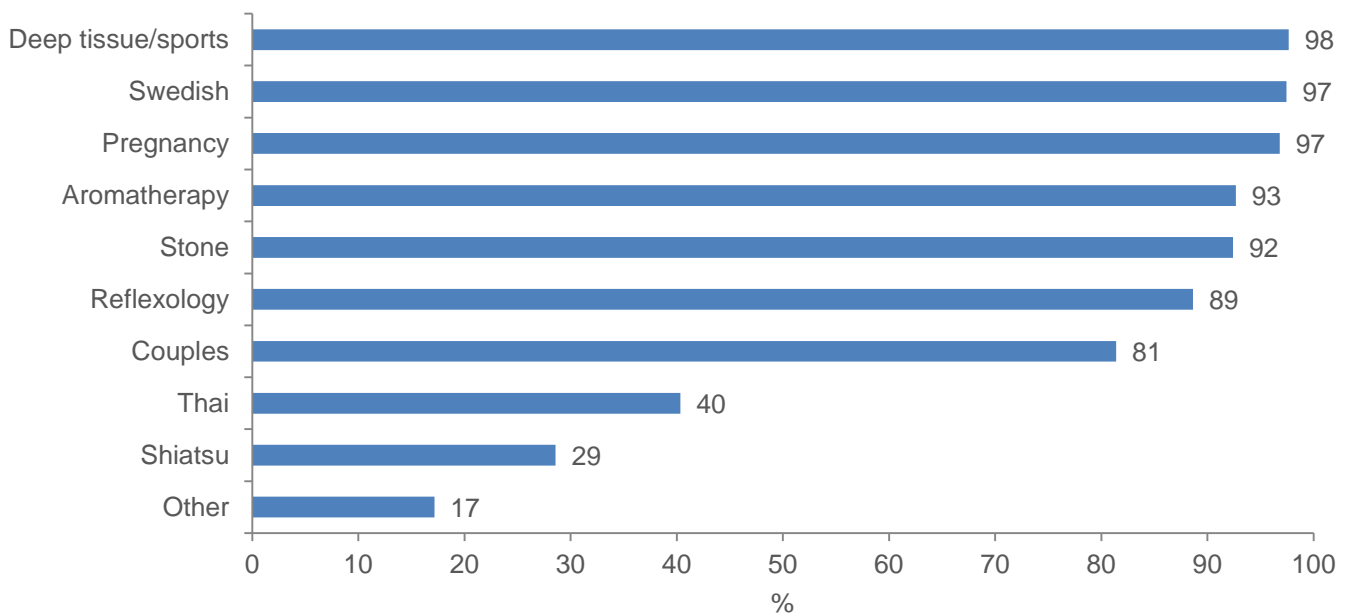
Almost all spas which provide massage treatments offer deep tissue/sports (98%), Swedish (97%) and pregnancy treatments (97%). The availability of those massage treatments varies hardly at all by type of spa.

The large majority of spas also offer aromatherapy (93%) and stone (92%) massages. Again, those proportions do not vary greatly by type of spa.

The main variations by type of spa are as follows:

- Reflexology – offered by 89% of spas, ranging from 78% of resort/hotel spas to 91% of day spas.
- Couples – available in almost all resort/hotel spas (98%) compared to 82% of day spas.
- Thai and Shiatsu - more frequently in the ‘other’ spa category – 57% for Thai and 43% for Shiatsu massage treatments.

Massage treatments offered



Base: Spas offering massage treatments.



## Massage Treatments Offered

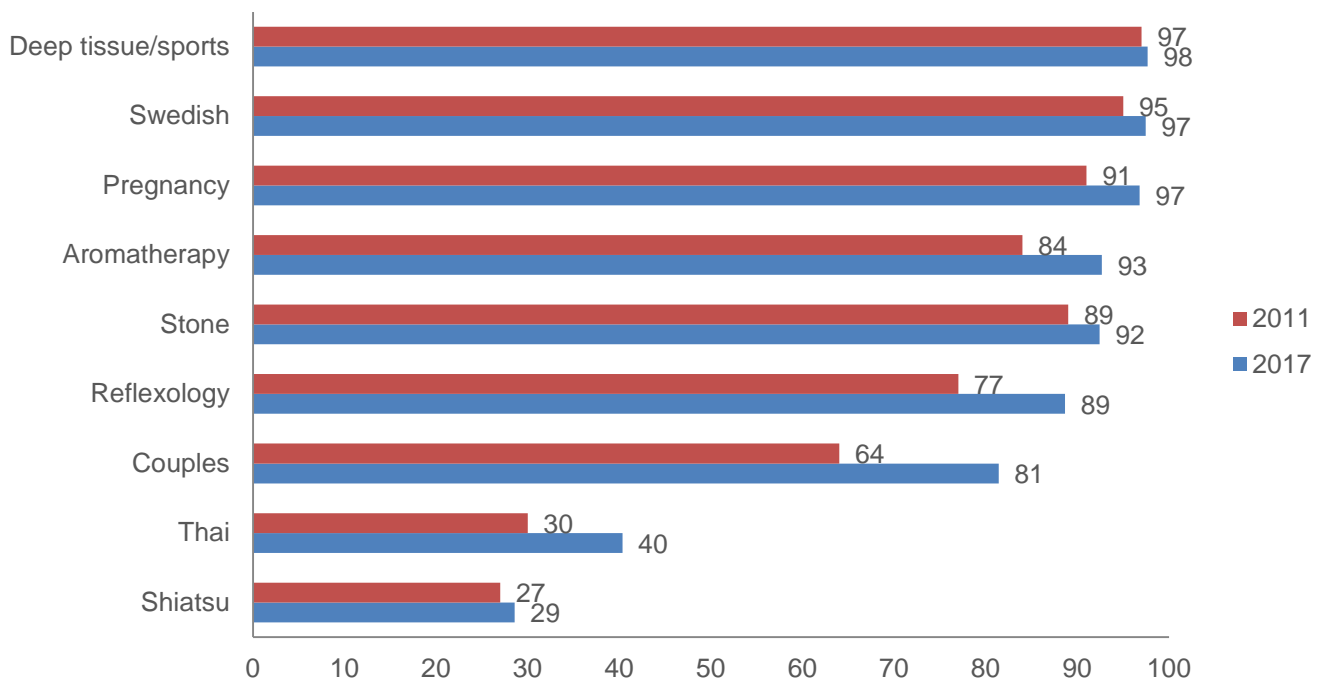
When compared with the position as reported in the 2011 Industry Study, on average, spas offer a wider range of massage treatments, with pronounced increases in the incidence of couples, reflexology and Thai massage treatments.

Compared with the position in 2011, deep tissue/sports and Swedish massage treatments have retained their popularity and continue to be offered by almost all spas that provide massage treatments.

Among the other treatment types, all are now offered more frequently than in 2011, notably couples (+17 percentage points), reflexology (+12 percentage points) and Thai (+10 percentage points).

Aromatherapy and pregnancy massages have also increased in popularity, by nine percentage points and six percentage points respectively.

Massage treatments offered



Base: Spas offering massage treatments.



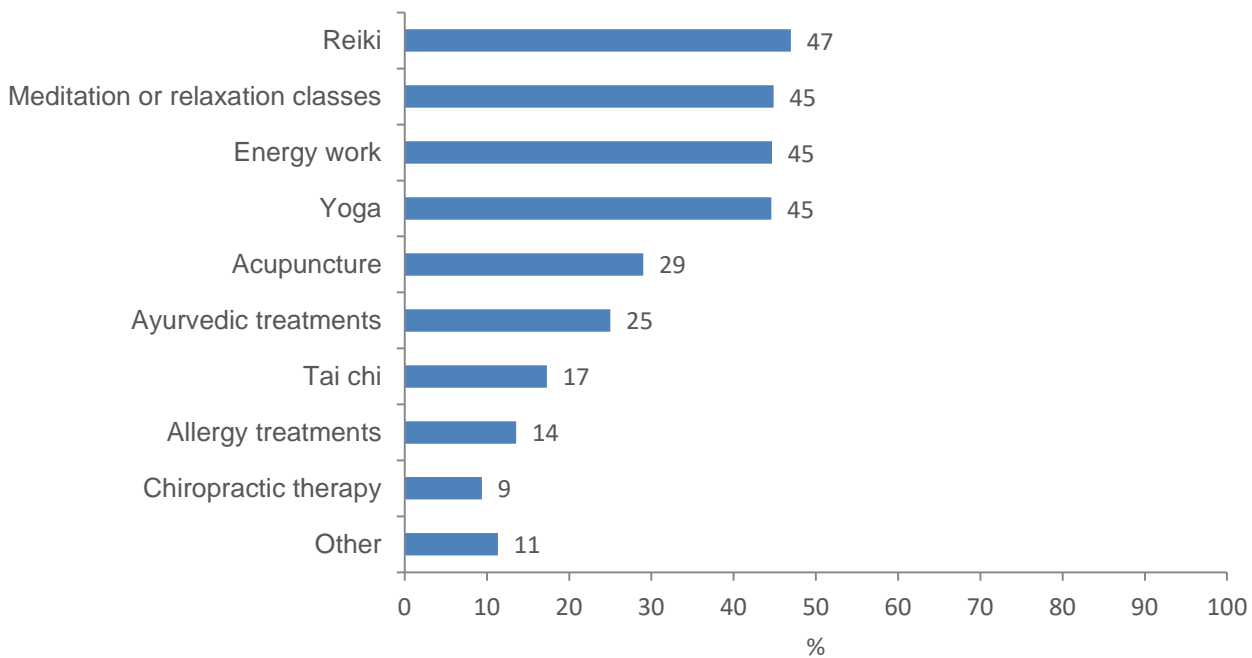
## Complementary/Alternative, or Mind, Body & Spirit Programs

Among the 22% of spas that provide complementary/alternative, or mind, body and spirit programs, almost one in two offer Reiki (47%) followed closely by meditation or relaxation classes (45%), energy work (45%) and Yoga (45%).

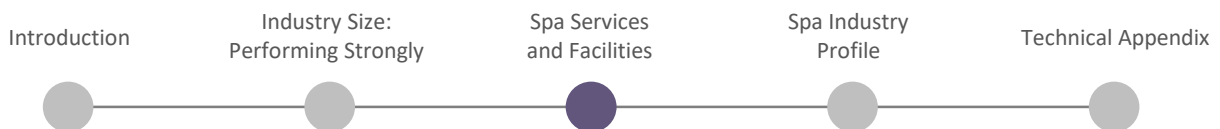
The range and mix of complementary/alternative, or mind, body and spirit programs varies by type of spa. For example, among resort/hotel spas providing such services, 88% said they offer yoga, compared with 24% of day spas.

By contrast, 59% of day spas offering complementary/alternative or mind, body & spirit programs said they provide Reiki, compared with 29% of resort/hotel spas.

### Complementary/alternative, or mind, body & spirit programs



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



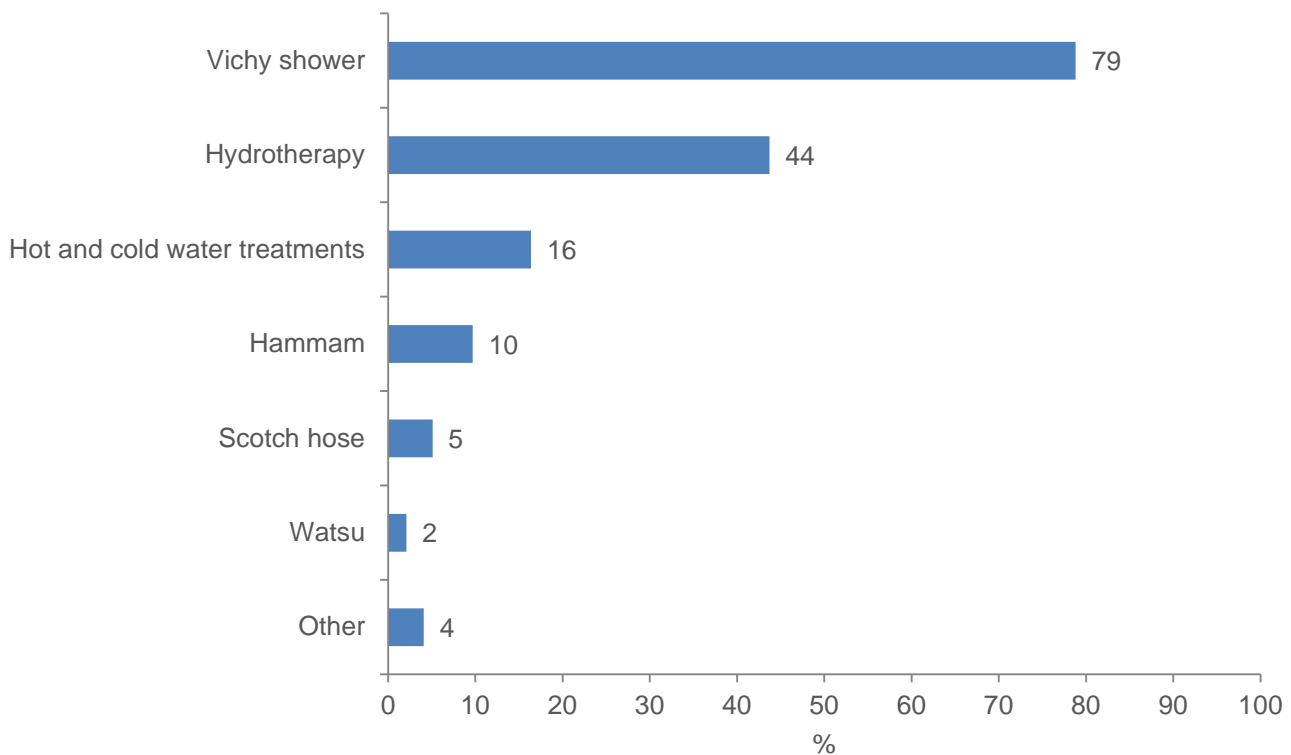
## Hydrotherapy services

**Vichy showers are by far the most frequently offered hydrotherapy service, available at 79% of the spas with hydrotherapy services (22% of all spas).**

The range of hydrotherapy services varies by type of spa. Among day spas with hydrotherapy services, 89% offer Vichy showers, compared to 50% of resort/hotel spas.

Conversely, whereas 59% of resort/hotel spas provide hydrotherapy, the proportion falls to 38% among day spas.

Hydrotherapy services



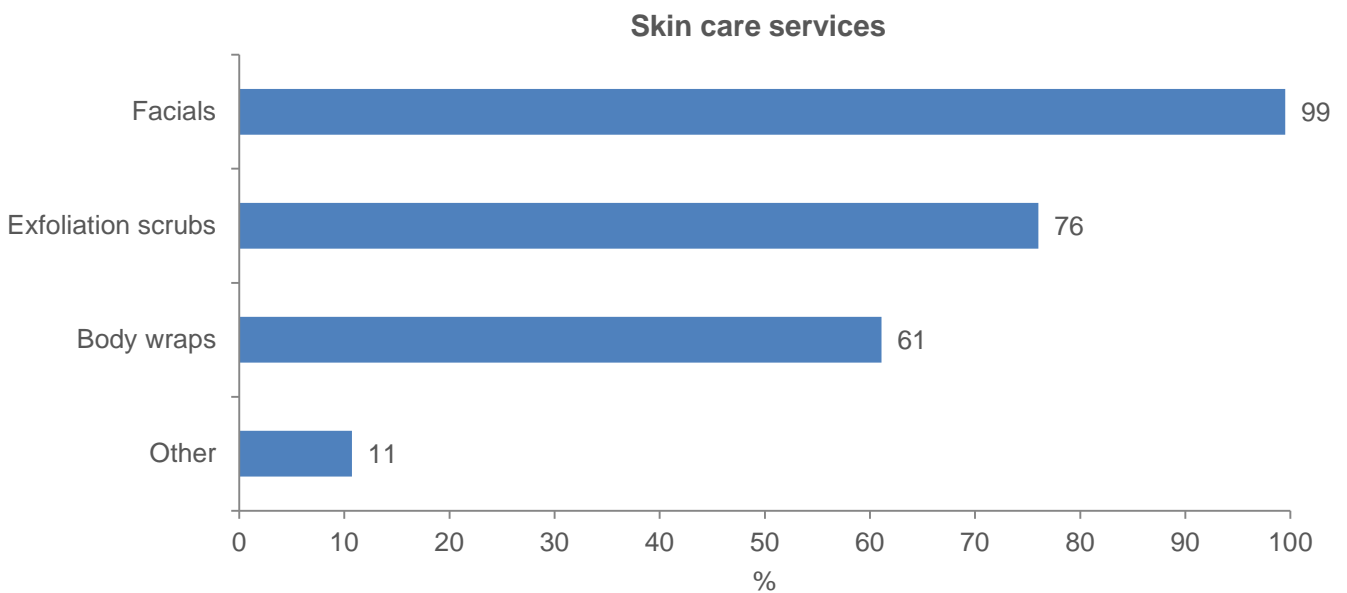
Base: Spas offering hydrotherapy services.



## Skin care services

Almost all spas offering skin care services include facials (99%) in their spa menu. Over three in four spas (76%) provide exfoliation scrubs while 61% offer body wraps.

There is no difference by type of spa in the frequency with which facials are offered to clients. Exfoliation scrubs are more likely to be available in resort/hotel spas (89%) compared to day spas (78%) which is also similar for body wraps (89% of resort/hotel spas versus 60% of day spas). In general, resort/hotel spas tend to offer each of the three main skin care services.



|                            | All | Day  | Resort/Hotel | Other |
|----------------------------|-----|------|--------------|-------|
| Facials                    | 99% | 100% | 100%         | 97%   |
| Exfoliation scrubs         | 76% | 78%  | 89%          | 51%   |
| Body wraps                 | 61% | 60%  | 89%          | 47%   |
| Other                      | 11% | 12%  | 4%           | 10%   |
| Average number of services | 2.5 | 2.5  | 2.8          | 2.1   |

Base: Spas offering skin care services.

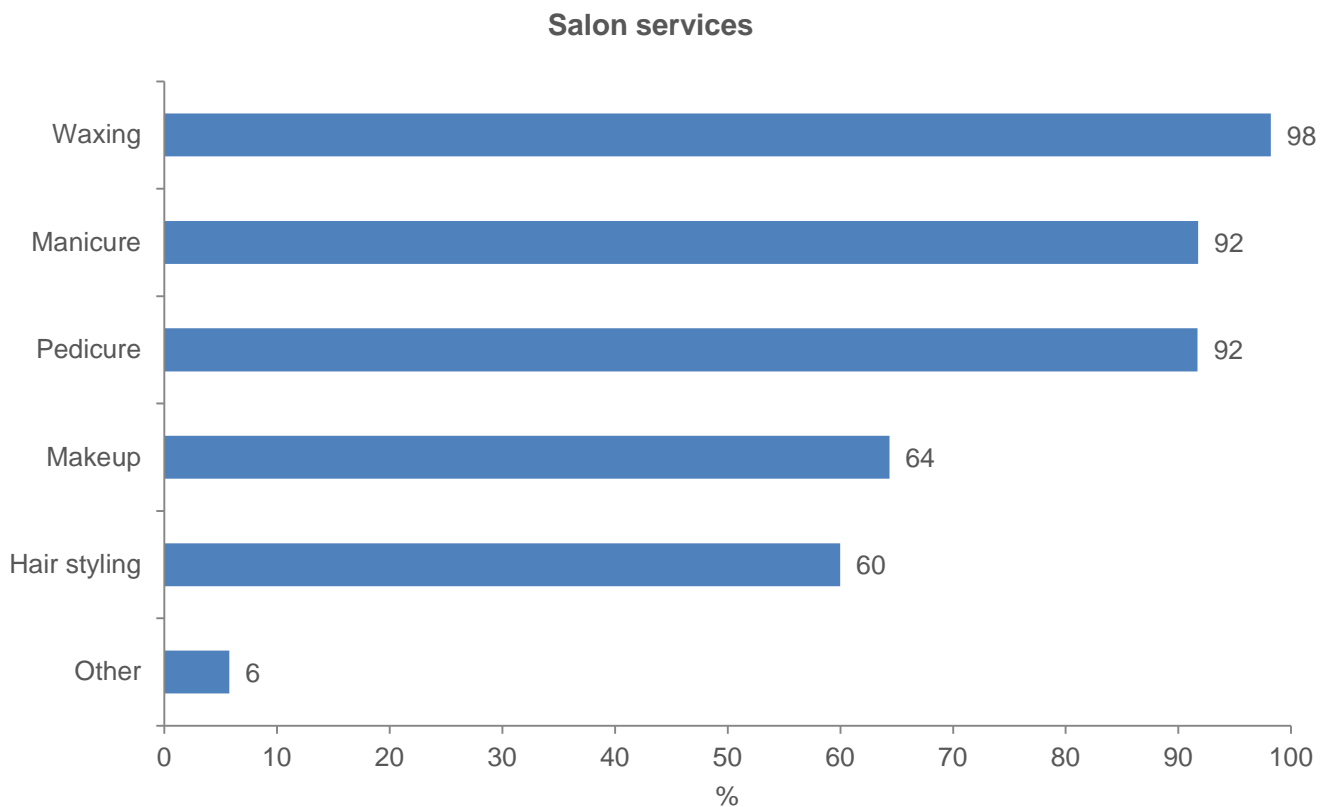


## Salon services

Almost two in three spas (64%) offer salon services. Almost all spas with salon services include waxing in their menu offering (98%), followed by manicure (92%) and pedicure (92%).

The vast majority of resort/hotel spas (86%) offer salon services. Almost all of those spas (98%) include manicures and pedicures in their client offerings while 94% offer waxing. Three in four spas (75%) offer makeup services with a similar proportion (73%) providing hair styling.

Among day spas with salon services (66%), waxing is the most frequently provided service (99%), followed by manicure and pedicure (92%), makeup (63%) and hair styling (60%).



Base: Spas offering salon services.





## Prices Per Service

The average price per spa service in 2016 is estimated as \$92, up by 2.5% compared to 2015, when the average price per service was \$90.

Average prices vary depending on the type of service provided, ranging from \$44 per nail service to \$109 per body treatment. At \$94, 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.

The average prices per massage (\$94) have not changed much from the position in 2015, up by 1%. Similarly, average prices for facials (\$101) and body treatments (\$109) did not vary greatly from their 2015 levels, up by 1.3% for facials and a slight decrease (-1%) 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, 2016 compared to 2015, 2014, 2013 and 2012

|                    | 2012        | 2013        | 2014        | 2015        | 2016        |
|--------------------|-------------|-------------|-------------|-------------|-------------|
| Per massage        | \$87        | \$91        | \$88        | \$93        | \$94        |
| Per facial         | \$94        | \$100       | \$97        | \$100       | \$101       |
| Per body treatment | \$97        | \$102       | \$105       | \$110       | \$109       |
| Per hair service   | \$66        | \$73        | \$76        | \$82        | \$78        |
| Per nail service   | \$42        | \$43        | \$45        | \$43        | \$44        |
| <b>Per service</b> | <b>\$82</b> | <b>\$88</b> | <b>\$88</b> | <b>\$90</b> | <b>\$92</b> |

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



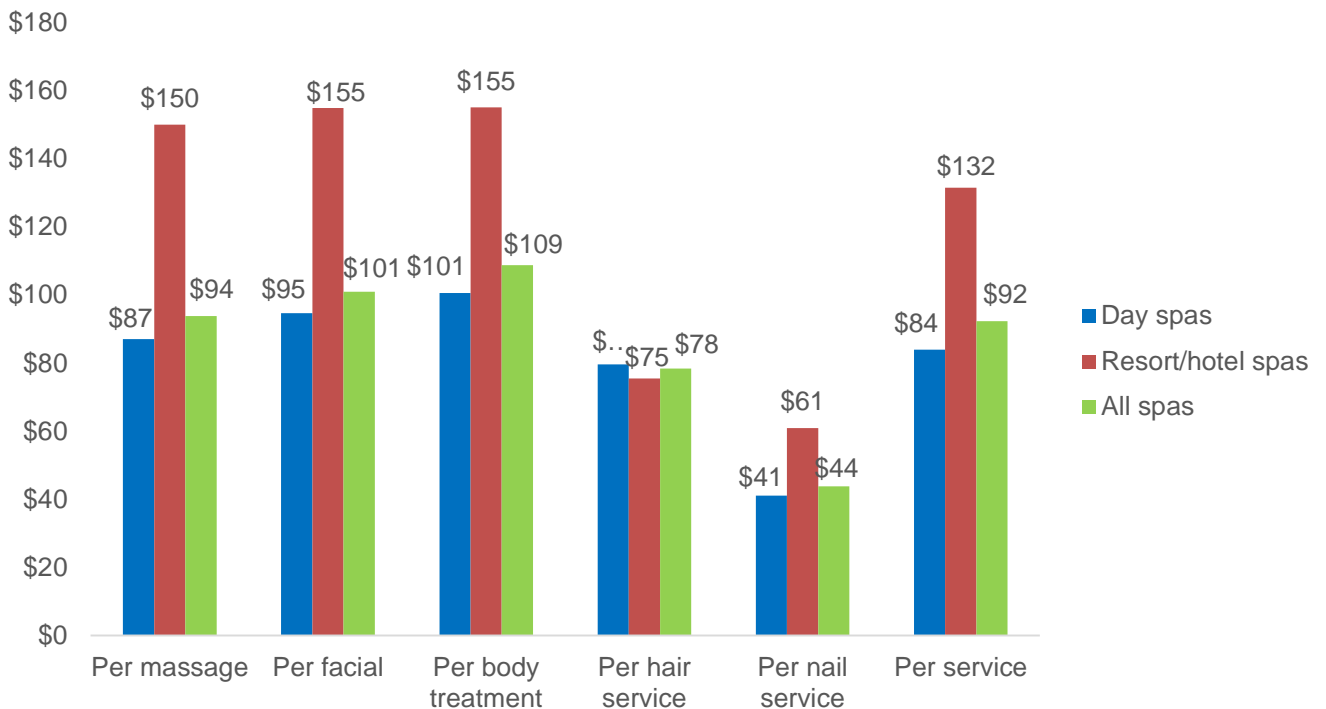
## Prices Per Service by Type of Spa

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

In 2016, the overall average price per service in resort/hotel spas was \$132 compared to \$84 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 \$87 in day spas, a difference of 72%. Similar differences were observed in relation to facials (64% higher on average in resort/hotel spas), nail services (48%) and body treatments (54%). By contrast, there was little difference in the average price of hair services between day spas (\$80) and resort/hotel spas (\$75).

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 cosmetics (64%) and nail care products (63%).

Resort/hotel spas tend to offer a wider range of retail products when compared with the industry average. When asked about the types of products that they sell as part of their retail operation, the typical resort/hotel spa mentioned five of the seven categories listed in the accompanying table. Among day spas, the average number of product types sold was 3.7.

Compared to resort/hotel spas, day spas are almost equally likely to offer skin care products (98% compared to 100%), but less likely to offer other retail products such as hair care (50% compared to 80% of resort/hotel spas), nail care (64% of day spas compared to 82% of resort/hotel spas), accessories and jewelry (48% of day spas compared to 80% of resort/hotel spas) and apparel (28% of day spas compared to 74% of resort/hotel spas).

The average dollar value of retail purchases was \$41 in 2016.

|                         | All | Day | Resort/<br>Hotel | Other |
|-------------------------|-----|-----|------------------|-------|
| Apparel                 | 32% | 28% | 74%              | 33%   |
| Skin care products      | 98% | 98% | 100%             | 94%   |
| Hair care products      | 51% | 50% | 80%              | 33%   |
| Cosmetics               | 64% | 63% | 73%              | 58%   |
| Nail care products      | 63% | 64% | 82%              | 38%   |
| Accessories and jewelry | 50% | 48% | 80%              | 42%   |
| Other                   | 26% | 21% | 27%              | 56%   |

### Average dollar value of retail purchases per guest

|         |      |      |      |      |
|---------|------|------|------|------|
| Average | \$41 | \$40 | \$37 | \$55 |
| Median  | \$35 | \$33 | \$25 | \$38 |

Base: Spas with a retail element (96% of all spas)



## Retail: Product Types, Contribution to Total Retail Sales

Across all spa types, skin care products make the largest contribution to total retail sales, 61% on average. Other retail products make smaller sales contributions, ranging from 13% for hair care products to 4% for both apparel and nail care products.

The broad pattern of retail sales contributions by product type does not vary by type of spa. Skin care products are by far the largest contributor for both day spas (61%) and resort/hotel spas (55%).

The slightly lower share of retail sales accounted for by skin care products in resort/hotel spas likely reflects the fact, noted in the previous slide, that such spas typically offer a wider range of retail products compared to day spas. Consequently, the retail sales share of the remaining product types tends to be slightly higher in resort/hotel spas than in day spas. For example, sales of apparel contribute, on average, 13% to total retail sales by resort/hotel spas compared to just 2% among day spas.

|                         | All | Day | Resort/<br>Hotel | Other |
|-------------------------|-----|-----|------------------|-------|
| Apparel                 | 4%  | 2%  | 13%              | 6%    |
| Skin care products      | 61% | 61% | 55%              | 66%   |
| Hair care products      | 13% | 15% | 8%               | 3%    |
| Cosmetics               | 6%  | 7%  | 5%               | 6%    |
| Nail care products      | 4%  | 4%  | 5%               | 2%    |
| Accessories and jewelry | 5%  | 5%  | 9%               | 4%    |
| Other                   | 6%  | 5%  | 5%               | 13%   |

Base: Spas with a retail element (96% of all spas)



## Spa Offerings

Reflecting the growing importance of an online presence, over four in five spas (83%) said they offered social media promotions in 2016, while 62% said they offered an online option to book treatments. The importance of partnerships with retail product vendors was also evident, with 63% of spas saying they offered promotional events with such a partner in 2016.

The table following this page shows offerings in place in 2016 by type of spa. The prominence of social media promotions does not vary greatly across the different spa types, offered by 84% of day spas and 75% of resort/hotel spas. Similarly, resort/hotel and day spas are almost equally likely to have run promotional events in partnership with a retail vendor (62%).

In other respects, the mix of offerings varies by type of spa:

- Almost two in three day spas (66%) said they had an online option to book treatments in 2016, compared with 40% of resort/hotel spas.
- Loyalty programs were more frequently offered by day spas (57%) compared with resort/hotel spas (29%).
- Promotions or partnerships in partnership with a philanthropic organization were more often offered by day spas in 2016 (50%) than by resort/hotel spas (36%).

Offerings in place in 2016



## Spa Offerings

|  | All | Day | Resort/Hotel | Other |
|--|-----|-----|--------------|-------|
| Social media promotions  | 83% | 84% | 75%          | 81%   |
| Promotional event in partnership with a retail product vendor                                      | 63% | 62% | 62%          | 71%   |
| Online option to book treatments   | 62% | 66% | 40%          | 52%   |
| Loyalty program  | 56% | 57% | 29%          | 70%   |
| Spa memberships  | 49% | 50% | 44%          | 43%   |
| Promotion or event in partnership with a philanthropic organization                                | 47% | 50% | 36%          | 38%   |
| Discount or promotion offered in traditional media sources   | 45% | 46% | 49%          | 35%   |
| Special promotions for customers giving positive mentions on social media or business review sites | 34% | 36% | 22%          | 30%   |



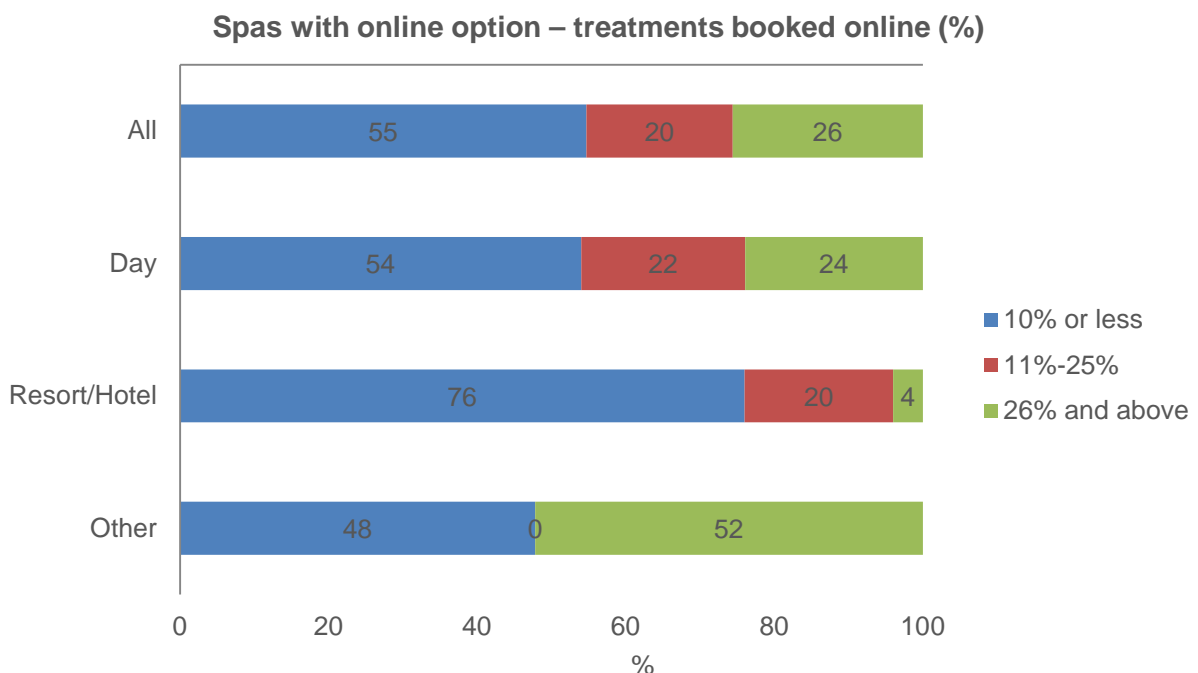
## Online Bookings

Among the 62% of spas which offer an online option to book treatments, the average proportion of bookings made online was 20% in 2016.

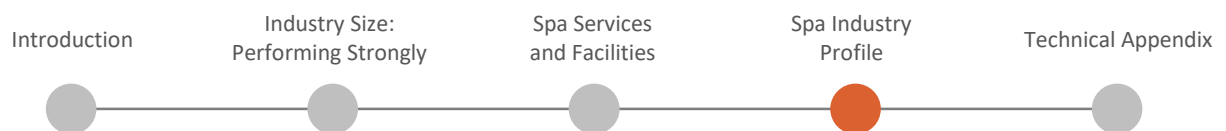
Online booking is more prevalent in day spas than in resort/hotel spas, accounting for 18% of bookings in day spas with that option (66% of all day spas) compared with an average of 13% of bookings among resort/hotel spas offering online booking (40% of all resort/hotel spas).

Typically, online bookings account for less than 10% of all bookings among spas with that option. Among resort/hotel spas, over three in four (76%) said that online bookings comprise less than 10% of their total bookings, compared with 54% of day spas.

|   | All | Day | Resort/Hotel | Other |
|---|-----|-----|--------------|-------|
| <b>Online booking option</b>  |     |     |              |       |
| % of spas   | 62  | 66  | 40           | 52    |
| <b>Percent of spa bookings made online (Base = spas with online option)</b> |     |     |              |       |
| Mean  | 20  | 18  | 13           | 36    |



## Section 4 | Spa Industry Profile



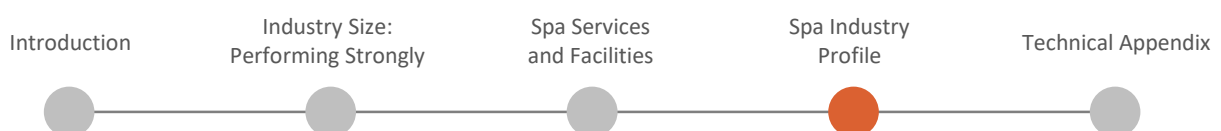


## Section 4: Introduction

This Section presents a profile of the estimated 21,260 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, floor space 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 with 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.**

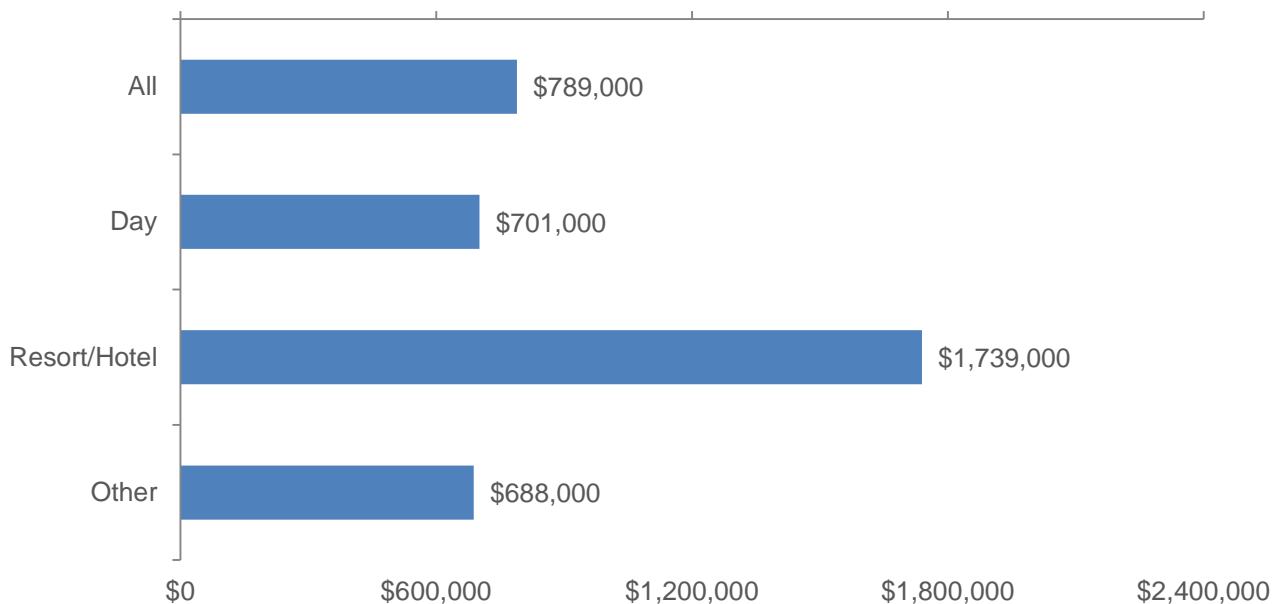
The key size indicators are shown for the main spa types in the Key Ratios table on the following page. For comparability with previous studies, floor space ratios are also shown.

Also shown are revenue ratios, including revenues per visit, per square foot of floor space and per employed person. Resort/hotel spas generate higher average revenues per visit (\$138) compared to day spas (\$81).

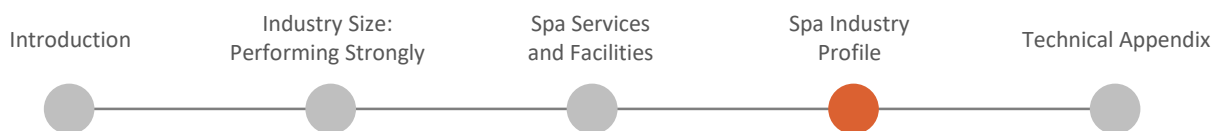
By contrast, and reflecting their more intensive use of floor space, revenue per square foot of floor space tends to be higher in day spas (\$230) than in resort/hotel spas (\$140).

Reflecting their larger average size, revenue per resort/hotel spa (\$1.74 million) was approximately 2.5 times the average for day spas (\$701,000) in 2016. Similarly, average total employment per resort/hotel spa (35.5) is more than twice the day spa average (15.6).

**Average revenue by type of spa**



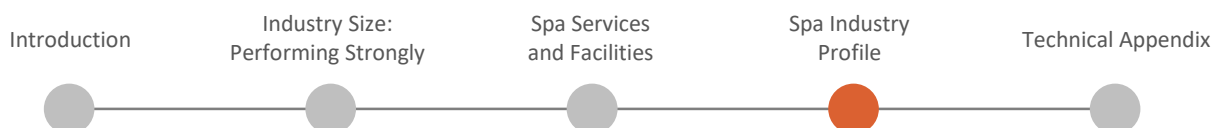
*Note: The key ratios by spa type should be interpreted with caution. They are estimates based on a sample of spa establishments and will therefore be subject to variability from sampling error. Special care should be taken in making comparisons with previous Spa Industry Studies as the estimates in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



## Key Ratios by Spa Type

|                                | All              | Day              | Resort /Hotel      | Other            |
|--------------------------------|------------------|------------------|--------------------|------------------|
| <b>Revenue per spa</b>         | <b>\$789,000</b> | <b>\$701,000</b> | <b>\$1,739,000</b> | <b>\$688,000</b> |
| Per visit                      | \$91             | \$81             | \$138              | \$116            |
| Per sq ft                      | \$200            | \$230            | \$140              | \$220            |
| Per employed person            | \$45,900         | \$44,920         | \$48,930           | \$47,580         |
| <b>Visits per spa</b>          | <b>8,643</b>     | <b>8,616</b>     | <b>12,596</b>      | <b>5,949</b>     |
| <b>Square footage per spa</b>  | <b>3,895</b>     | <b>3,070</b>     | <b>12,610</b>      | <b>3,109</b>     |
| <b>Total employees per spa</b> | <b>17.2</b>      | <b>15.6</b>      | <b>35.5</b>        | <b>14.5</b>      |
| Full-Time                      | 7.8              | 7.1              | 16.1               | 6.2              |
| Part-Time                      | 7.7              | 6.9              | 17.2               | 6.3              |
| Contract                       | 1.6              | 1.5              | 2.2                | 2.0              |

*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.*



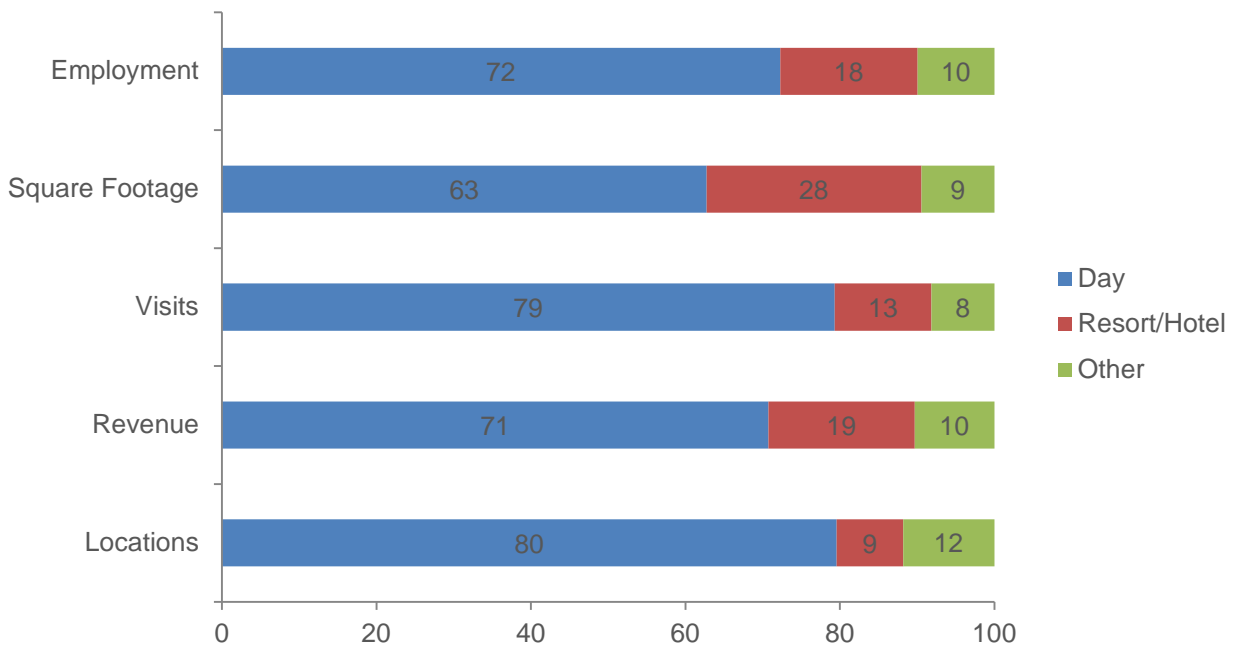
## The Big 5: Composition by Spa Type

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%), 28% of total square footage and 18% of employment. The contrast reflects the larger scale of resort/hotel spas compared to the industry averages for revenue, square footage 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 (\$81) is below the industry average (\$91).

Composition by spa type



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

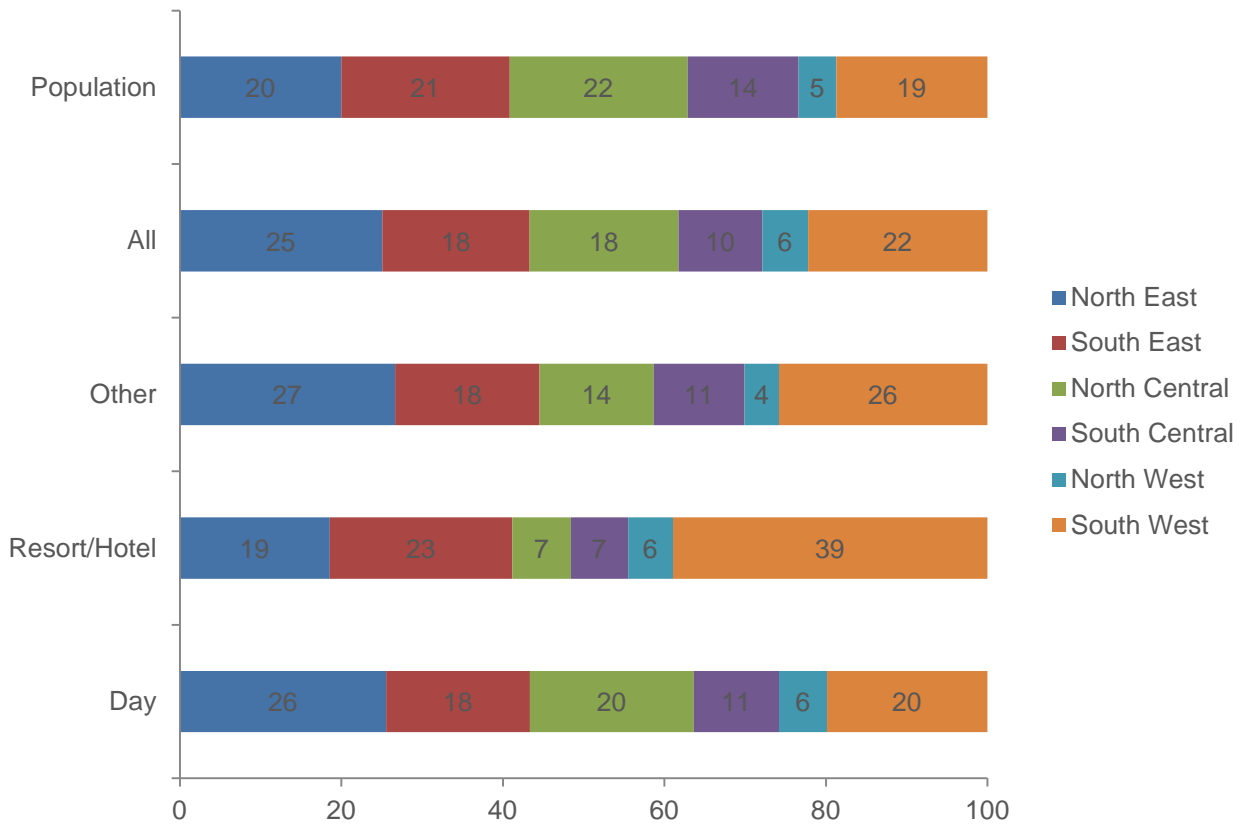
The distribution of spa types by region in 2016 shows little change from the historic pattern.

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.

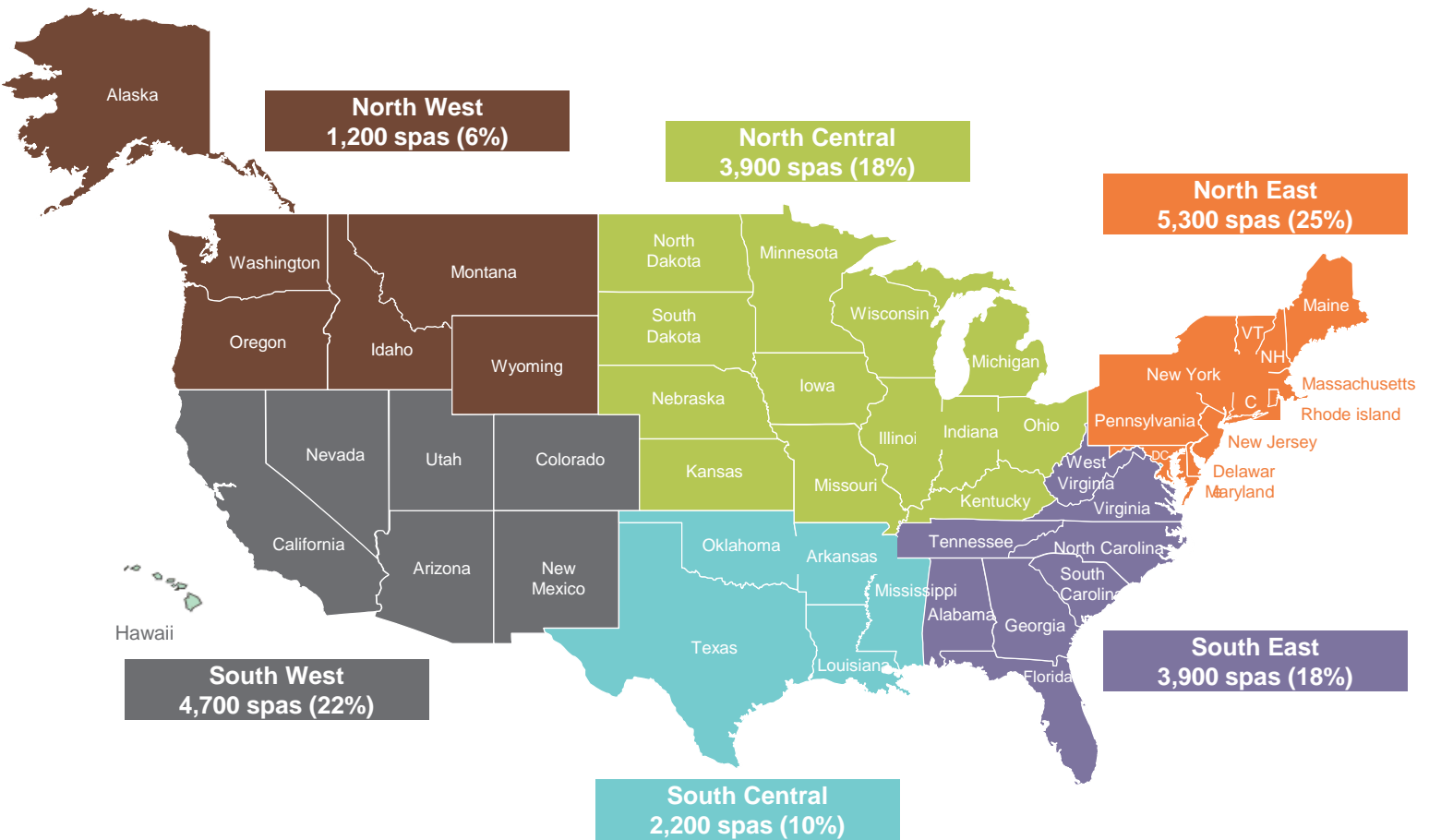
The regional distribution of day spas more closely follows the general population such spas typically serve the population living in the areas where they are located.

The map of spa establishments by region is shown on page 54. Key ratios by region are shown in the table on page 55.

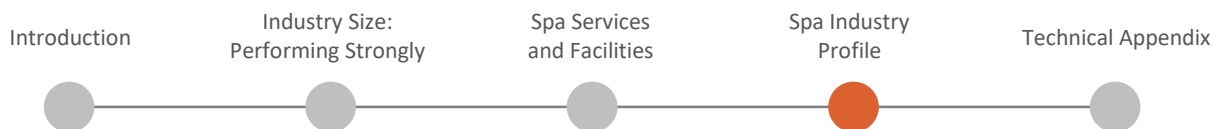
Distribution of spa types by region



## The Distribution of Spa Establishments by Region



Note: Number of spas rounded to the nearest 100

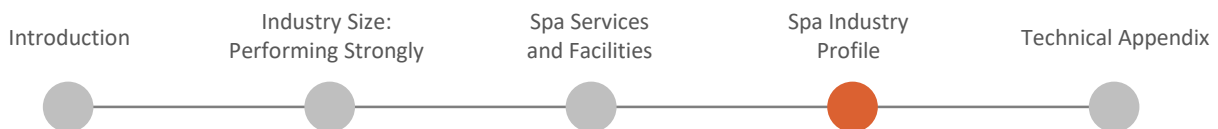


## Key Ratios by Region

|                        | All              | North East       | South East       | North Central    | South Central    | North West       | South West       |
|------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| <b>Revenue per Spa</b> | <b>\$789,000</b> | <b>\$774,000</b> | <b>\$800,000</b> | <b>\$736,000</b> | <b>\$765,000</b> | <b>\$771,000</b> | <b>\$856,000</b> |
| Per visit              | \$91             | \$91             | \$90             | \$81             | \$90             | \$86             | \$103            |
| Per sq ft              | \$200            | \$200            | \$200            | \$220            | \$230            | \$240            | \$180            |
| Per employed person    | \$45,900         | \$47,860         | \$44,240         | \$46,690         | \$43,900         | \$46,260         | \$45,520         |
| <b>Visits per Spa</b>  | <b>8,643</b>     | <b>8,472</b>     | <b>8,863</b>     | <b>9,100</b>     | <b>8,489</b>     | <b>8,937</b>     | <b>8,274</b>     |
| <b>Square Footage</b>  | <b>3,895</b>     | <b>3,857</b>     | <b>4,002</b>     | <b>3,306</b>     | <b>3,356</b>     | <b>3,227</b>     | <b>4,762</b>     |
| <b>Total Employees</b> | <b>17.2</b>      | <b>16.2</b>      | <b>18.1</b>      | <b>15.8</b>      | <b>17.4</b>      | <b>16.7</b>      | <b>18.8</b>      |
| Full-Time              | 7.8              | 7.2              | 8.3              | 7.0              | 9.0              | 6.8              | 8.4              |
| Part-Time              | 7.7              | 7.1              | 7.9              | 7.6              | 7.3              | 8.5              | 8.5              |
| Contract               | 1.6              | 1.8              | 1.9              | 1.2              | 1.1              | 1.4              | 1.9              |
| <b>Locations*</b>      |                  |                  |                  |                  |                  |                  |                  |
| <b>Total</b>           | <b>21,300</b>    | <b>5,300</b>     | <b>3,900</b>     | <b>3,900</b>     | <b>2,200</b>     | <b>1,200</b>     | <b>4,700</b>     |

\*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 49.



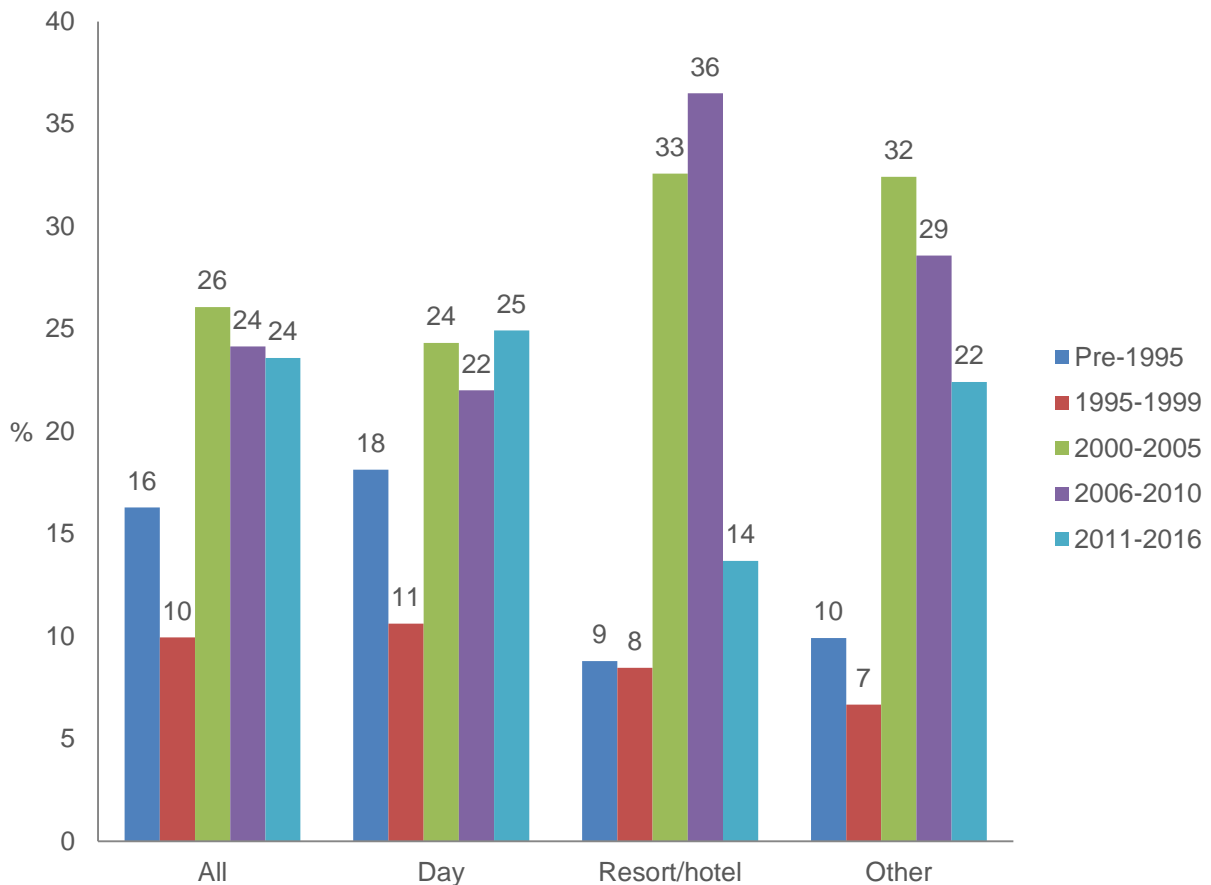
## Year Spa Business Started

Among those spas in business at the end of 2016, 26% said they started in the period from 2000 to 2005. A further 24% said they started between 2006 and 2010. Almost one in four spas (24%) started in the more recent period from 2011 to 2016.

The proportion opening in the decade from 2000 to 2010 was highest among resort/hotel spas, with 69% opening in that period compared to 46% of day spas.

By contrast, day spas were more likely to say that their business started in the more recent period, from 2011 to 2016 (25% of day spas compared to 14% of resort/hotel spas).

Year spa business started





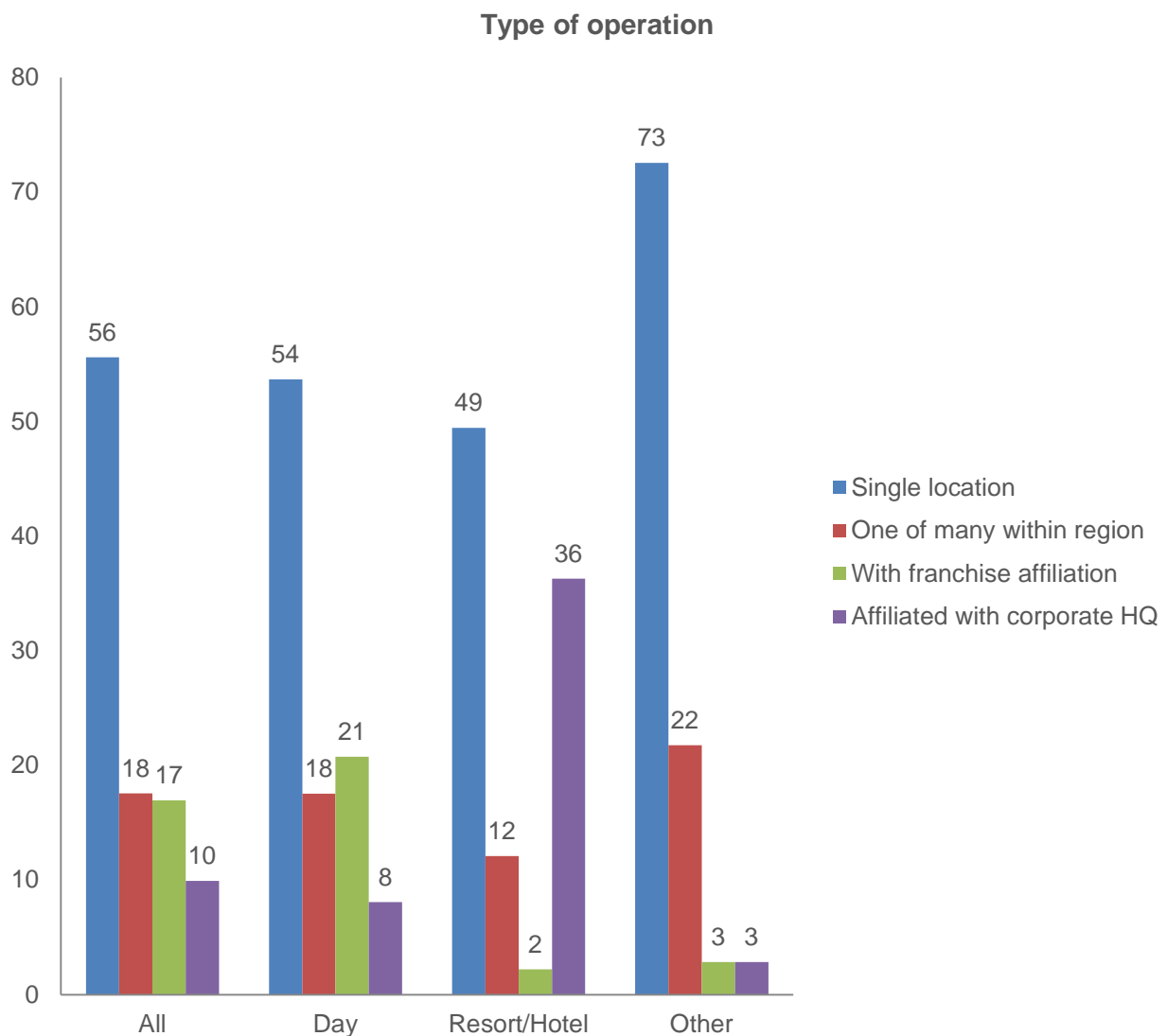
## Type of Operation

The majority of spas (56%) describe themselves as single location operations.

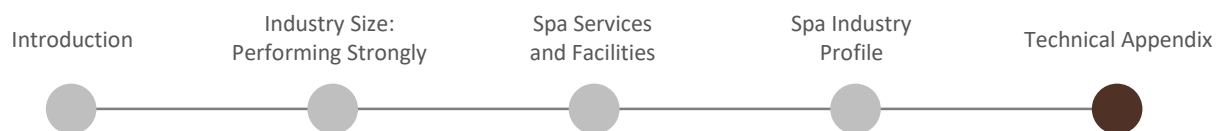
Almost one in five spa businesses (18%) said they are one of a number of locations within the same state or region and owned by the same owner/company.

Operations with a franchise affiliation account for 17% of spas. The proportion is highest among day spas (21%).

One in 10 businesses said they are affiliated with a national corporate headquarters. The proportion with such an affiliation is highest among resort/hotel spas (36%).



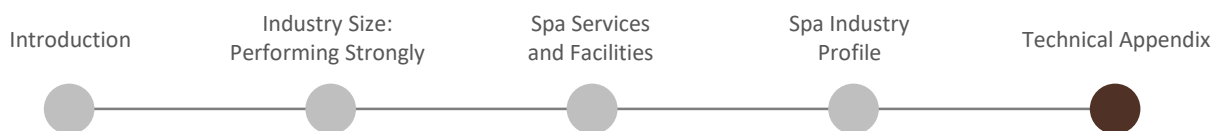
## Section 5 | Technical Appendix



## Section 5: Technical Appendix Introduction

This section describes the approach to the 2017 U.S. Spa Industry Study, under the following headings:

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



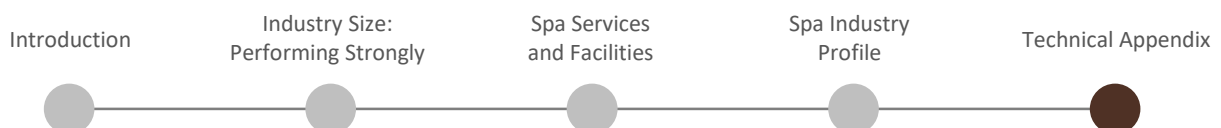
## Survey Methodology

A large scale quantitative survey of spa establishments was undertaken to collect the information required to estimate the key statistics for the ISPA 2017 U.S. Spa Industry Study. The full survey was launched in January 2017 and completed in April 2017.

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 2016 revenues and visits and employment levels up to quarter one of 2017.

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 2016, their plans for 2017 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 8,700 qualified spas. The ISPA database also provided the main data source for estimating the number of spa locations by type and region. The ISPA database is estimated to represent 41% of the industry.



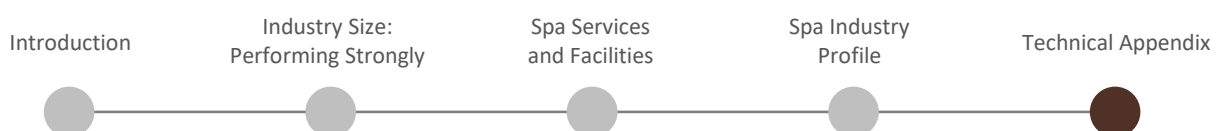
## The Questionnaire

The questionnaire for the 2017 Industry Study was based largely on the questionnaire used for the 2016 Industry Study. This was to ensure continuity and consistency with the 2010, 2011, 2012, 2013, 2014, 2015 and 2016 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 indoor floor space and profits.

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 2016
- Plans for 2017
- Market trends
- The respondent's view on the next big new trend that will shape the spa industry



## Survey Outcomes

The survey was launched on a bespoke online registration site in January 2017 and ran until April 2017.

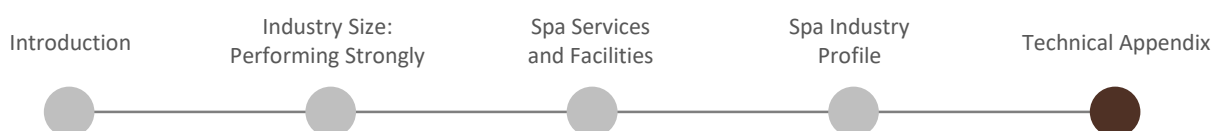
Results represent responses from 2,004 establishments. Those establishments were based on 763 survey returns that were submitted for either single locations or composite returns for multiple spa locations.

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  $\pm 3.5\%$ .

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  $\pm 6.2\%$ .

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

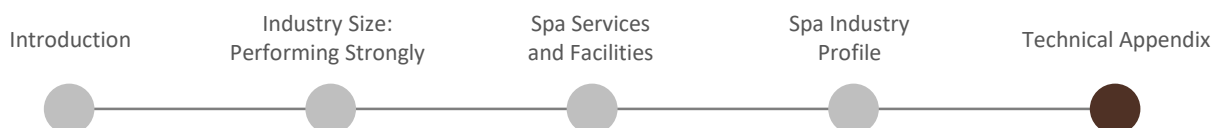
In 2005, ISPA undertook a census of the North American spa industry to formally qualify and classify spas. Through this process, ISPA developed specific product/service based criteria for qualifying and classifying spas. The spa type definitions are listed on page 5 of this report.

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.



## International SPA Association

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