



SNAPSHOT SURVEY

PRICING STRATEGIES

RESULTS REPORT | JUNE 2023

PRICING STRATEGIES

The June 2023 ISPA Snapshot Survey asked respondents to share details about their spa or company's pricing strategies. The survey responses highlight menu price and product changes, along with various pricing strategies employed by spas.

Regarding increases in spa menu prices in 2023, 50 percent of spas said they did increase prices, while 28 percent said they did not increase prices, but plan to later this year. Twenty-three percent said they do not have plans to increase prices.

Sixty-one percent of spas made changes to the products they use or sell in their spa due to price increases, while 28 percent said they had reduced inventory of a product line due to an increase in costs.

Regarding the use of pricing strategies for spa services, 63 percent of spas use static pricing (service prices remain constant, regardless of demand) while 25 percent use variable pricing (adjust service prices based on day of the week or time). Fifteen percent use dynamic pricing (adjust prices based on real-time demand).

Seventy-seven percent of spas reported they were not using yield management (adjusting the service inventory to sell to the right customer at the right time at the right price to maximize revenue), while 23 percent reported they were. Encouragingly, numerous respondents noted they were not met with resistance and guests did not opt for a less expensive weekday booking when their spa implemented yield management. Others increased prices on the weekends by \$30.00 per service and pushback was minimal.

Regarding the use of dynamic availability (adjusting the availability of certain services based on customer demand) within spa booking software in real-time, 85 percent of respondents reported not utilizing the strategy, while 15 percent continue to do so.

Additionally, 44 percent of resource partners said they had increased prices for products in 2023. Nearly half (49 percent) reported that they had not and have no plans to increase prices. Seven percent said they had not, but that they plan to later in the year. Eighty-five percent have increased wholesale product prices and 67 percent have increased MSRP prices.

Eighty-seven percent of resource partners reported they had not removed a product from their inventory due to inflationary costs while 13 percent said they had removed a product. According to 41 percent of respondents, the average overall increase in the total cost to produce their company's product offerings was an 11-20 percent increase. Thirty percent of respondents reported a less than 10 percent increase in production costs.

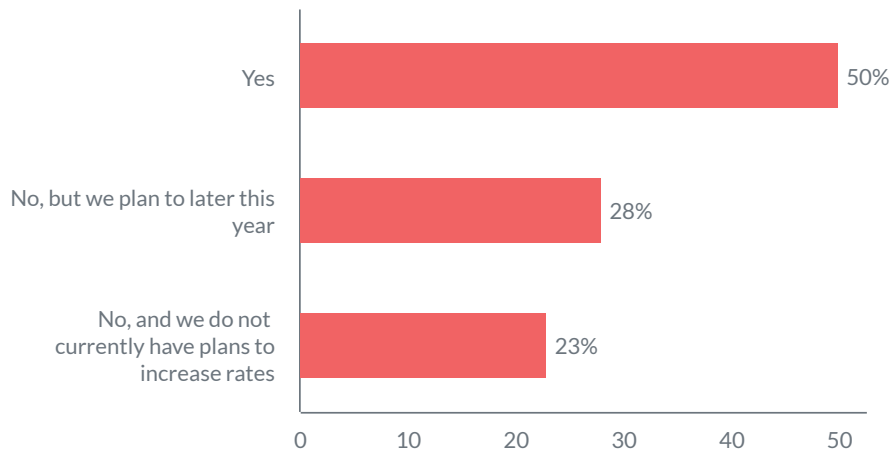
The June 2023 Snapshot Survey collected 344 survey responses from ISPA spa and resource partner members from June 16-26, 2023.

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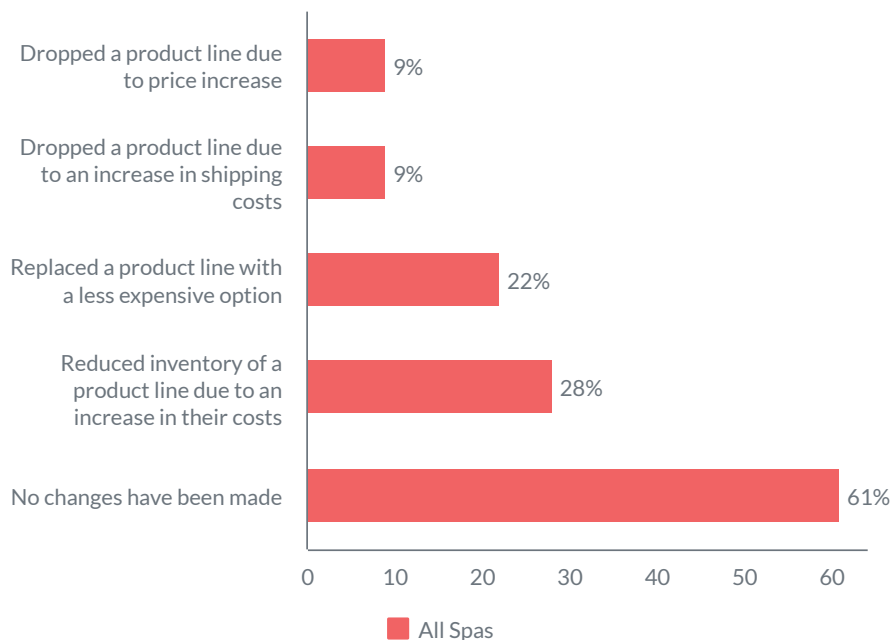
Has your company increased spa menu prices in 2023?

INCREASED PRICES FOR 2023



Which of the following, if any, changes has your spa made to the products used or sold within your spa in 2023 due to price increases implemented by the vendor company? Select all that apply.

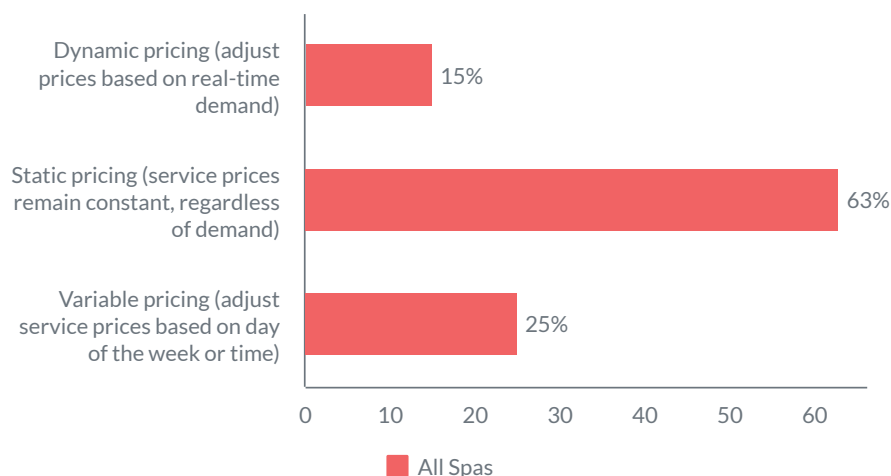
CHANGES DUE TO VENDOR PRICE INCREASES





Which of the following pricing strategies does your spa utilize for spa services?

PRICING STRATEGIES UTILIZED



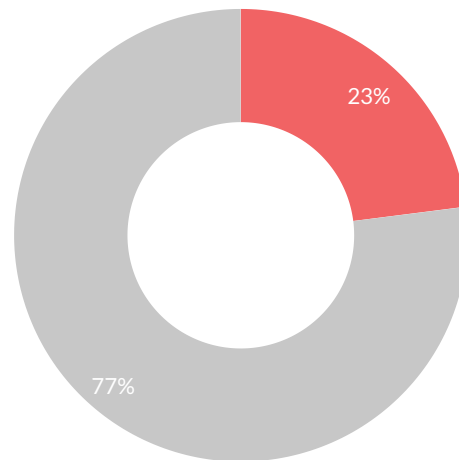
If you have success stories or lessons learned from the implementation of dynamic pricing, please share details below.

- Creating services with retail component included has fared well.
- I work with 8 Spas with focus on dynamic pricing. It is important your menus are reflective of starting from pricing as well as your website / Book4time. Introducing the dynamic pricing slowly proved successful, the biggest opportunity is the fear of the associates/Leader that the guest will not be happy. Once realized there has been little to know impact in the guest experience we began expanding and increasing our pricing strategy.
- Increases weekday demand
- N/A, we haven't done this
- Provide good instructions and scripts to the spa receptionists to prevent complaints from guests. Maximize utilization of the functionalities of the spa software (book4time) and follow the latest developments and releases.
- We have created a competitive pricing worksheet for all spas within a 25-mile radius and review it bi-annually to ensure we are maintaining a competitive edge.
- We increased sales by 3% in the first month of implementation, and we were not very aggressive in our strategy. We are looking at ways to improve our strategies moving forward.



Does your spa utilize yield management (adjusting the service inventory to sell to the right customer at the right time at the right price to maximize revenue)?

YIELD MANAGEMENT UTILIZED



■ Yes (23%) ■ No (77%)



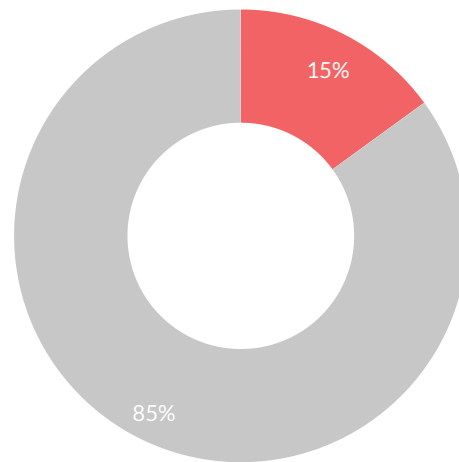
If you have success stories or lessons learned from the implementation of yield management practices, please share details below.

- Include Holidays in your yield management.
- Lesson learned is that we are never met with resistance and guests do not opt for a less expensive weekday booking.
- Removal of nail services - this resulted in higher availability of massage services (as our therapists are also our nail technicians) and higher priced services.
- The guest is looking for consistency and transparency, and in luxury segment they want the collateral materials to match the website, example: if a guest asks for a price list you must give one; Just telling them we do dynamic pricing and pricing changes on our occupancy, they just choose to go somewhere else. If you do not have the demand, it is challenging to justify yield management as you will turn away business and you can lose loyalty and guest retention. In a spa where the local business is 80%, dynamic pricing is difficult to justify.
- We have seen an incremental lift of \$14 in average treatment rate, just starting out slow.
- We increase the prices on weekends by \$30.00 per service and the push back has been minimum.



Does your spa utilize dynamic availability (adjusting the availability of certain services based on customer demand) within its spa booking software in real-time?

DYNAMIC AVAILABILITY UTILIZED



■ Yes (15%) ■ No (85%)



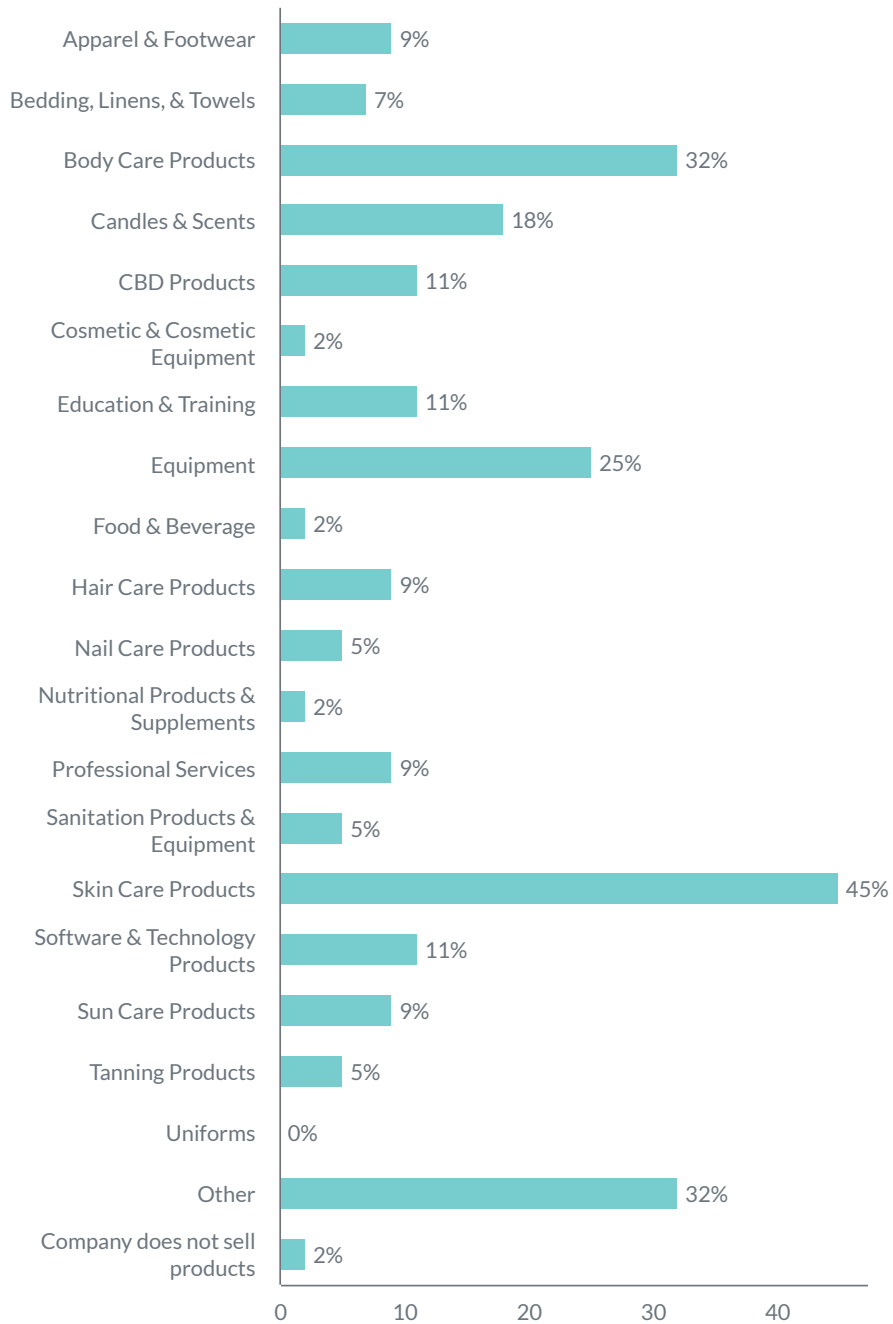
Please identify an example of how your spa is utilizing dynamic availability. Any details you can share regarding when this strategy is utilized, treatment type, profit-margins, pricing, length of service, etc. would be of great value.

- Average 2,300 services per month.
- Minimum increase on popular services. Create longer and expensive services.
- The therapist's schedule is adjustable to service demand. Often, the AM group of therapists would stay extra hours with PM group, if clients were looking to book specific hours or walk ins. For all spa services, profit margins are roughly 70%, a massage pricing average is \$190usd for 50 min and 85% of all sales are massages.
- We turned on smart booking for our online booking services in order to maximize our utilization.



Which of the following product categories does your company currently have product offerings? Select all that apply

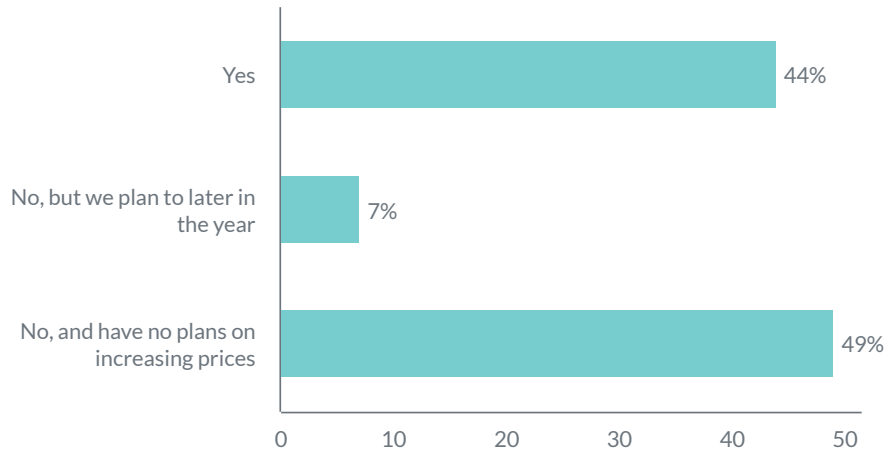
CURRENT PRODUCT OFFERING CATEGORIES





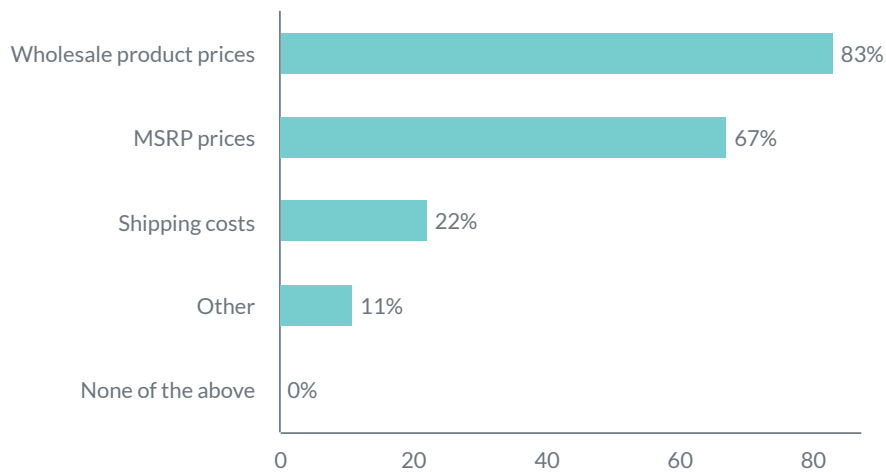
Has your company increased prices for any of its product offerings in 2023?

PRODUCT OFFERENG PRICES INCREASED



Please identify which of the following areas that your company has implemented a price increase this year.

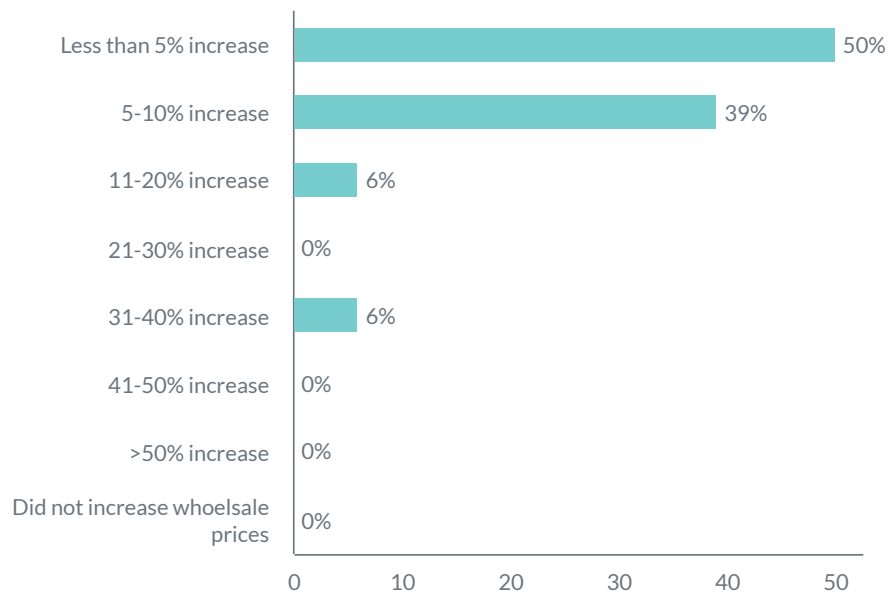
PRICE INCREASES IMPLEMENTED





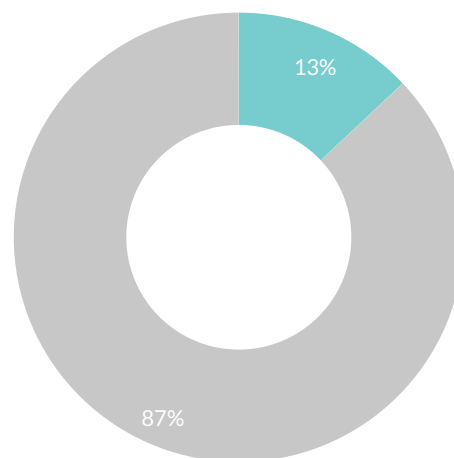
What was the average wholesale price increase among your product offerings in 2023?

AVERAGE WHOLESAL PRICE INCREASES



Has your company removed a product from its inventory due to inflationary costs?

PRODUCTS REMOVED DUE TO INFLATIONARY COSTS

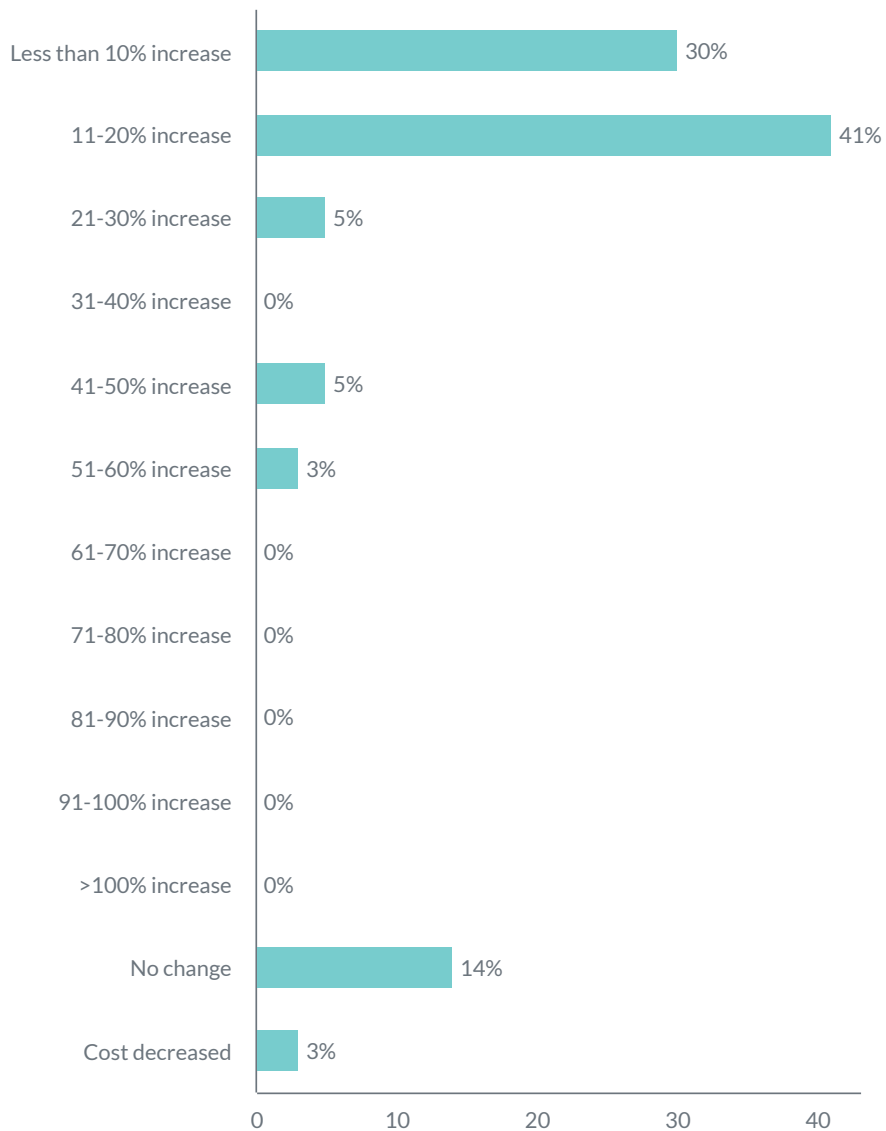


Yes (13%) No (87%)



Please identify the approximate average overall increase in the total cost to produce your company's product offerings in 2023 compared to producing those products in 2022.

AVERAGE INCREASE IN COST OF PRODUCT OFFERINGS





Please describe any strategies or efforts your company has used to communicate product price increases or shipping cost increases to spa clients below.

- As we receive price increases from the manufacturers, those increases are passed on to the spa.
- Provided a few months of advanced notice, so they could stock up before the price increase.
- Sent email 3 months in advance of rate increase.
- Small percentage to total so it was not a concern for anyone.
- Value add in services and clinical support.
- We do not send out blanket emails on cost increases. We work with the customers we currently have. They are usually locked into a contract so the increase will not affect them until renewal times.
- We have decided to hold our prices and are looking for other areas to cut costs. The spas and consumers have seen enough price increases.
- We have not communicated this with our spa clients.
- We increased retail and wholesale pricing some but not 21%. We have created efficiencies in other areas to offset.
- We send personalized mails.
- We try to let them know in advance of an upcoming price increase... And that it takes place after the first of the year when they can update their systems.