



SNAPSHOT
SURVEY

PRODUCT INVENTORY

RESULTS REPORT | **AUGUST 2023**

PRODUCT INVENTORY

The August 2023 ISPA Snapshot Survey asked respondents to share details about their spa or company's retail and product inventory strategies. The survey responses highlight formal product inventory schedules, primary leads for product inventory processes, product inventory metrics and spa management software.

Managing product inventory is a critical role within any spa. The frontrunner to serve as the primary lead for the inventory process among respondents was the spa director followed by the spa manager, 37 percent and 25 percent respectively. The majority of respondents (70 percent) opt to include two to three team members in the process.

Regarding how often spas conduct a formal product inventory, three out of every four respondents (74 percent) conduct inventory on a monthly basis. This can be a time consuming process based on the quantity of products and brands carried. Thirty-eight percent of spa respondents carry 21 or more brands within their retail space and 44 percent carry five or more product lines to utilize within their treatments spaces.

Spa respondents are utilizing a variety of metrics to track and evaluate their inventory, 45 percent of spas keep up with sell-through rate, 44 percent said they track minimum stock threshold limit and 37 percent said they track stock-to-sales ratio and shrinkage rate. Spas are also utilizing their management software to help with the process. Eighty-seven percent of spa respondents track retail product inventory, 86 percent track product sales and 44 percent track product purchase orders within their spa management software.

Spas are utilizing a variety of techniques to help lower residual inventory. End of season markdowns, including items in a gift with purchase promotion, selling mystery spa grab bags, holding an employee sale for staff and donating products or gift baskets to charity were a few of the ideas shared.

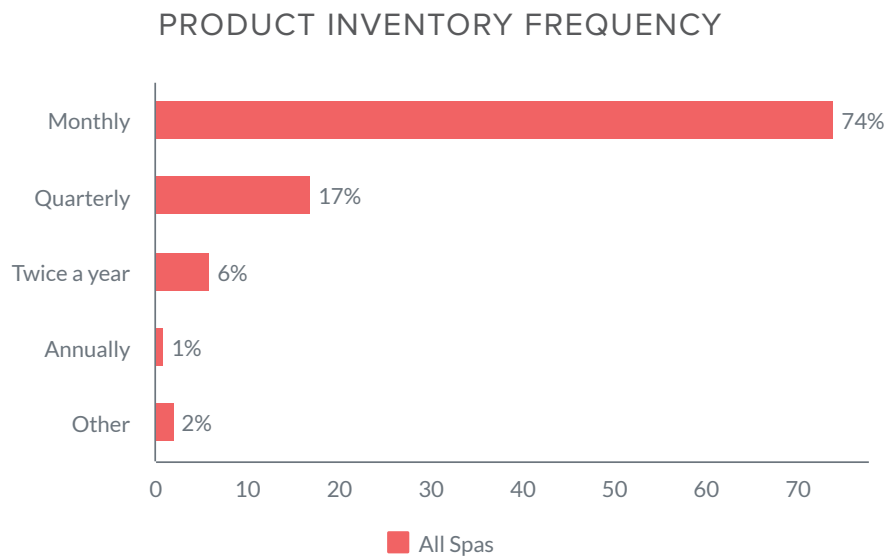
Resource partners provide a wealth of resources to help spas with moving and managing their inventory. Seventy percent of resource partner respondents provide employee training on their brands and products, 65 percent offer retail merchandising displays/collateral and 50 percent extend incentives for customers who meet sales goals. Resource partner respondents also shared some creative ways that spas can promote products that aren't moving off the shelves. Be sure to explore those ideas at the end of the report.

The August 2023 Snapshot Survey collected 299 survey responses from ISPA spa and resource partner members from August 18-28, 2023.

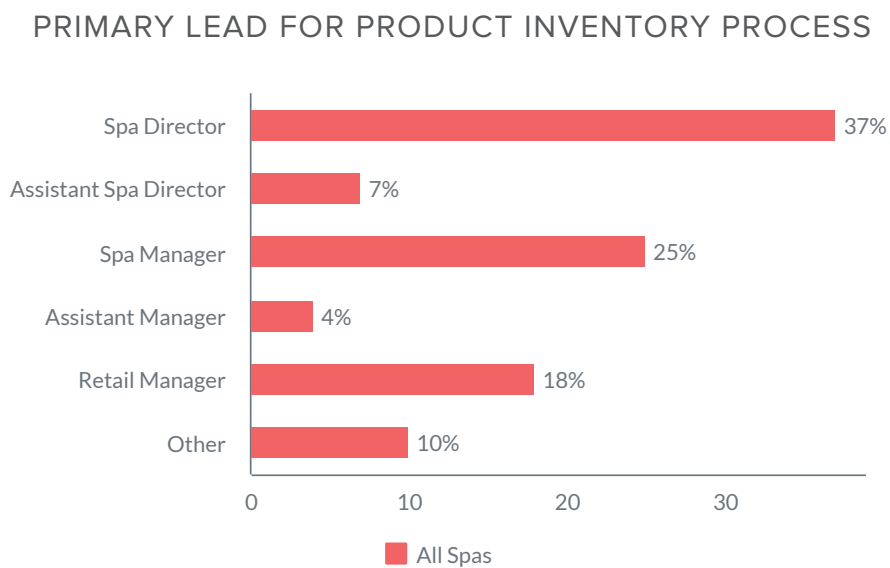
DISCLAIMER: This document contains proprietary information of the International SPA Association. For permission to reproduce any material contained in this publication, please call ISPA at 1.859.226.4326. If consent is granted, attribution to ISPA and other sources specified in the document should be made.



How often does your spa conduct a formal product inventory?



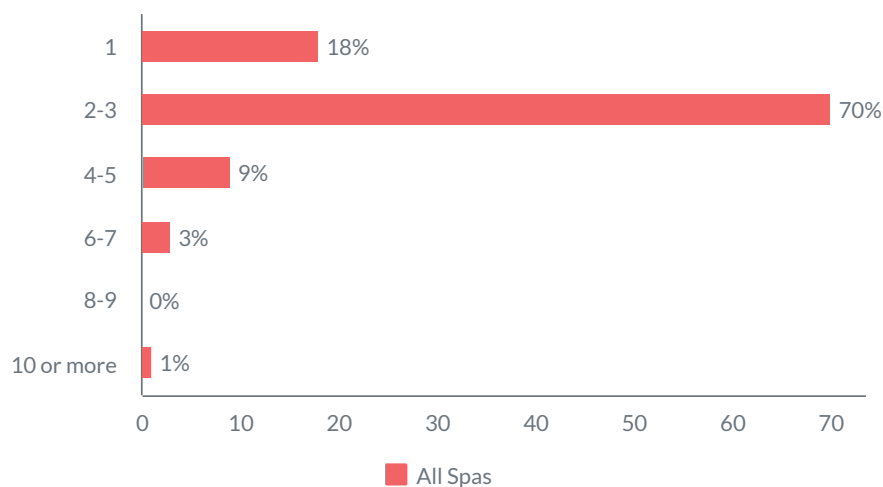
Who is the primary lead for your spa's product inventory process?





On average, how many team members are involved with your spa's product inventory process?

NUMBER OF TEAM MEMBERS INVOLVED WITH INVENTORY PROCESS



What do you consider to be your greatest product inventory management challenge?

- Accuracy. Vendors coding products with different names and references in comparison with the invoice or the purchase order.
- Accurate counts, accurate selling
- All the merch (company branded merchandise) that is really a marketing expense getting counted towards cost of goods.
- Assuring that nothing is missed.
- Backbar counts
- Backordered products
- Bar code readers
- Communication between employees.
- Consistency in finding why SKUs are off
- Consistency.
- Continually changing SKUs for same product to ensure accurate count.
- Determining where lost products went.

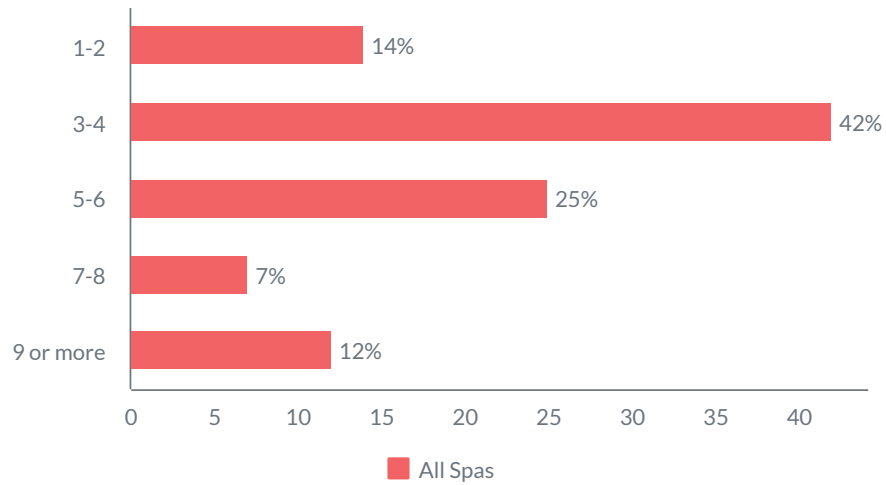
- During renovation it was how we moved and stored products in a less secure area.
- Ensuring all items received are properly added to the system
- Entering received inventory in a timely manner.
- Figuring out what people want to purchase at any given time.
- Finding a system that is easy to sync in spa and through a shopify store accurately.
- Finding ways to move through products that are coming close to expiration.
- For us it's the systems we use for purchasing with the hotel and the inventory system we have at the Spa. They do not communicate, which makes everything more prone to error since there is a lot of manual inputs. Segregation of duties is difficult sometimes too, when occasionally we run short on staff.
- Getting new vendors set up and in our purchasing system.
- Having a full inventory count when requested, ordering to meet minimums, dealing with backorders, supply shortages, and delays.
- Human error in counting
- I think our biggest challenge is time, and reporting. We count everything by hand and are writing in totals, a scanning gun process would be more efficient. Our reports take a lot of formatting to be useable.
- I'm in CDMX and many times the delivery of the product is complicated due to import issues.
- In a large spa, different staff members needing and removing products without properly listing them, and therefore incorrectly showing up as shrinkage.
- Inventory receiving being processed correctly. Retailing program for products used during a service cause some challenges.
- It was that we were not scanning, and items were being selected incorrectly. As of now we are scanning and I am sure we will see a difference.
- Items being pulled from retail for back bar and they're not tracked properly. We haven't found a good scanner to use for our physical count so we do it by hand.
- Keeping products in stock
- Keeping retail products from being used or taken.
- Keeping up with Retail products being transferred to Back Bar due to an immediate when estheticians run out of products in the treatment room.
- Lack of communication and coordination between the affected departments, i.e. Accounting and spa
- Making sure products are rung correctly, so that the POS can tally an accurate inventory.
- Making sure you have the A team available, so the counting procedure is as accurate as possible. It's such a time-consuming process
- Managing inventory waste/expired products.
- Need to do more frequent spot checks and have a discipline around that weekly.
- Organization and fresh/new items and education for desk agents.
- Our biggest inventory challenge is the club is very seasonal in operation and anticipating members need for retail and ordering the right amount based on those needs.
- Our non-user friendly and limited (in terms of features and capabilities) POS system
- Our POS system does not put in what the items sold are. These are a problem when trying to figure out what was sold.

- Predicting trends
- Price/product changes for non-perishables like 4x4's or nail buffers. Inventory for certain items change or are harder to find.
- Receiving orders in a timely manner. Shipping delays can cause challenges with vendors that are paid at time of order.
- Receptionist running items which are close to code numbers for each other..
- Setting and maintaining PAR levels
- Shrinkage
- Simple adherence to protocols, both control and operations
- Software system
- Staying on top of a consistent accounting of products received and categorized as 'spoiled' when it is a return.
- Storage of extras at two locations across town
- Storage space is scattered. Labor intensive. Operating hours
- The software system we are currently using does not meet our requirements
- The amount of space for inventory
- The challenge at my property is that the responsibility of spa retail inventory falls under the retail manager who has been here about 17 years and she only conducts it about 2-3 times a year. If the responsibility fell under me (Spa Director), I would do it at least once a month to better keep on top of inventory trends and shortages. The other challenge is that retail inventory lives in Dataworks, a system that only our retail manager knows and uses. As Spa Director, I should be able to conduct my own inventories, print my own labels and make count adjustments as needed.
- The greatest product management challenge is when our service providers need to pull retail, for any reason, there is a tendency to forget to mark the item out of inventory.
- The overall counting, however, is a process that cannot be eliminated, as it is necessary to confirm the quantity of existing products.
- The system and time it takes to complete inventory. Spa software doesn't have options to scan inventory and they don't have good support or training options.
- The time it takes to count everything
- Things being rung-in incorrectly
- Using an antiquated system.
- Vendor out of stocks and shipping irregularities
- We are just developing our retail program, so product selection right now is probably our biggest challenge!
- We try to maximize our orders so we can hit the threshold for free shipping (if the vendor offers it). To keep shipping costs down, we may only place one order/month. It's a challenge sometimes to estimate what we will need to have on-hand each month, and we have to weigh the extra cost of shipping a few products vs. What profit we could lose by not having a product available to sell.



How many product lines does your spa carry for use within a treatment room/space?

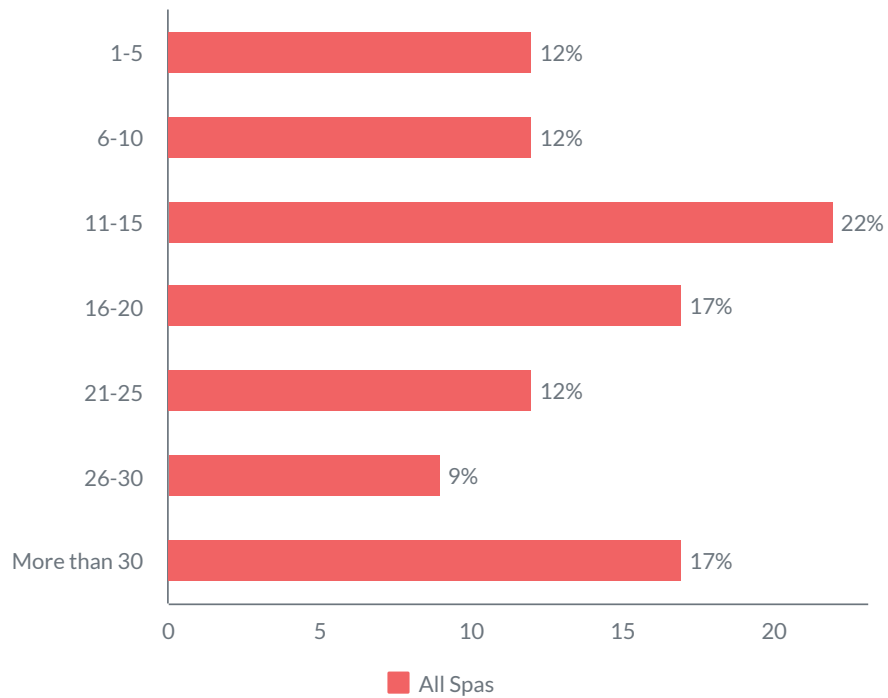
NUMBER OF PRODUCT LINES FOR TREATMENT ROOM/SPACE USE





How many different brands does your spa have included within its retail space product offerings?

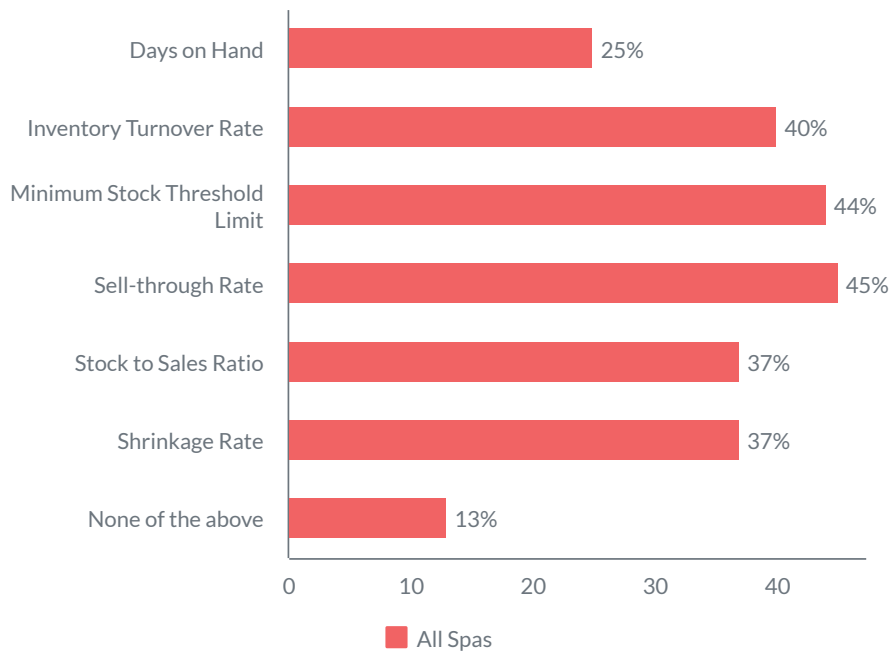
NUMBER OF BRANDS INCLUDED IN RETAIL PRODUCT OFFERINGS





Which of the following product inventory metrics does your spa currently track and evaluate? Select all that apply.

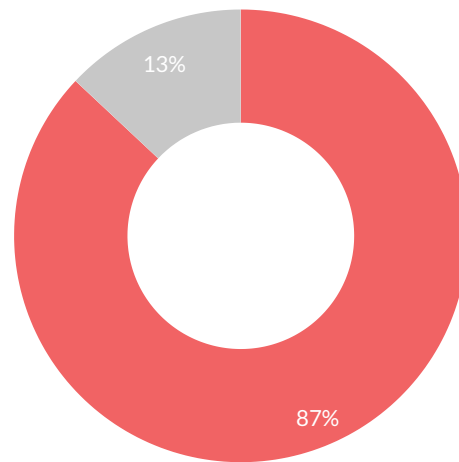
PRODUCT INVENTORY METRICS TRACKED





Does your spa utilize its spa management or point-of-sale software to help manage inventory?

POINT-OF-SALE SOFTWARE UTILIZED FOR INVENTORY MANAGEMENT

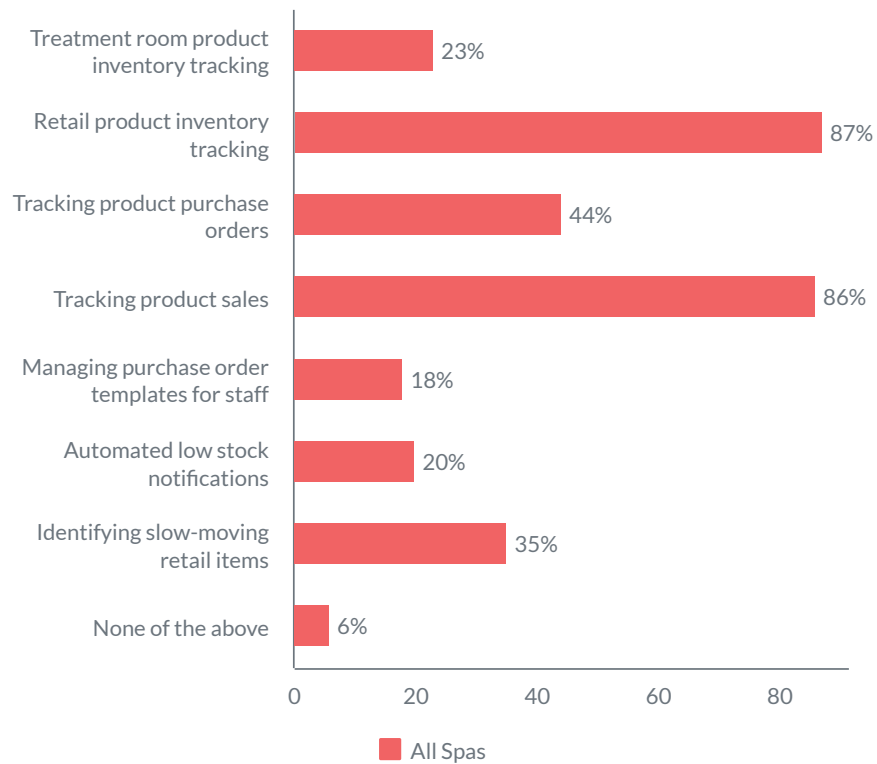


■ Yes (87%) ■ No (13%)



Which of the following activities is your spa conducting within its spa management software? Select all that apply.

ACTIVITIES CONDUCTED WITHIN SPA MANAGEMENT SOFTWARE





Are there any product inventory features you would like to have access to within your spa's software that you don't currently have access to? If so, please share details regarding that wish-list feature below.

- A method whereby we did not have to duplicate orders among our property systems and vendor ordering portals
- Ability to add a product sku with variables for color, size, scent, etc.
- Aging products report, guest purchase history report by vendor — time period , auto low stock notifications
- Anything to make the process more slim lined and accurate
- Automated alerts
- Automated low stock notification.
- Automated way of moving product from storage
- Automated way of reading expiration dates of products
- Being able to identify slow moving products or time spent in inventory, from time of purchase, would be a great feature to have
- Communication between retail inventory system and our purchasing system used throughout the property.
- Compatibility with our hotel ordering system, software company is currently developing this
- Electronic wand to read barcodes.
- Expiration dates of products, if applicable.
- I think that identifying slow moving retail might be helpful.
- I wish our sales reports were broke more according to business line, I want to see which product line as a whole is underperforming and which ones are top sellers. I want to see which specific products in those lines are top sellers. I would like to have a report that tells me which therapist is selling the most based on percentage of services performed and retail and enhancement sales.
- I'd love to see PO integration for new vendors. For example, if I order from a new vendor, I'd like to be able to upload that item list instead of having to key each item.
- Scanner for all products sold
- Spa software does not provide inventory tracking
- To be able to auto search without having to click on the magnifying glass.
- Tracking a product is reformulated and relaunched.
- Treatment room product inventory tracking/ automated low stock notifications (for staff or sent to guests)
- I would like to see a report that will tally all low quantities so I know what to order. Currently I have to look at the stock of every vendor/item to see what's needed.



Please describe any management techniques your spa uses to help lower residual inventory (inventory that remains at the end of a season or from an older product launch) that have proven to be successful.

- 50% off sales, end of summer sales
- After a 50% reduction with anything left we donate to a women's shelter
- All depends on corporate.
- Amenity gifts
- Another strategy we use is upsells. When a therapist does an upsell, they fill out a service change form and turn it into the concierge before starting the service. Usually after initial consult when guest is disrobing and getting on the bed. We save those forms and hold a monthly drawing for a free retail product out of our winners closet. This closet has a collection of discontinued items, about to expire items. This idea actually originated from the concierge team. They said instead of throwing out the slips, how about putting them in a basket for a drawing. Last month we tracked 84 add-on's.
- Bundle with other products, sale, employee incentives to sell items
- Bundling products together
- Clearance rack, rotate retail
- Creating bundles of products and selling as gift baskets. Bundling 1's and 2's in a themed way helps stimulate conversation and opportunities for more sales specific to a guest needs.
- Dedicated sale space/ markdowns, employee sale(donate funds), allocate/ move dead stock to backbar where applicable, move items in gwp or vip gift baskets
- Display is always good, changing it up helps move items, discounting items we no longer want to carry or that don't sell.
- Donations and gift with purchase
- Donations to womens shelter annually, 2 clearance sales a year — sidewalk sale and mid-winter clearance. Donate to schools
- Donations, discounted items, buy 1 get 50% off
- Employee sales, seasonal sales, discount
- End of season markdowns: 30%, then final sale of 50% off
- End of season sales, discontinued items go in "sample sales" for staff proceeds donated to local charities once a year;
- Giveaways for members and special events
- I have created a "last call sale area" where we feature low inventory items and product that may be seasonal leftover, and sometimes slower moving merchandise.
- If we announce a sale on social media once or twice a year, it seems to generate a greater response than having a sale shelf all the time.
- If we don't want to display sale RTW items, we backstock them by size and bring them out for guests who may be interested. "this is our last one of these, and I have it in your size". For skincare, we partner vendors for GWP promos.

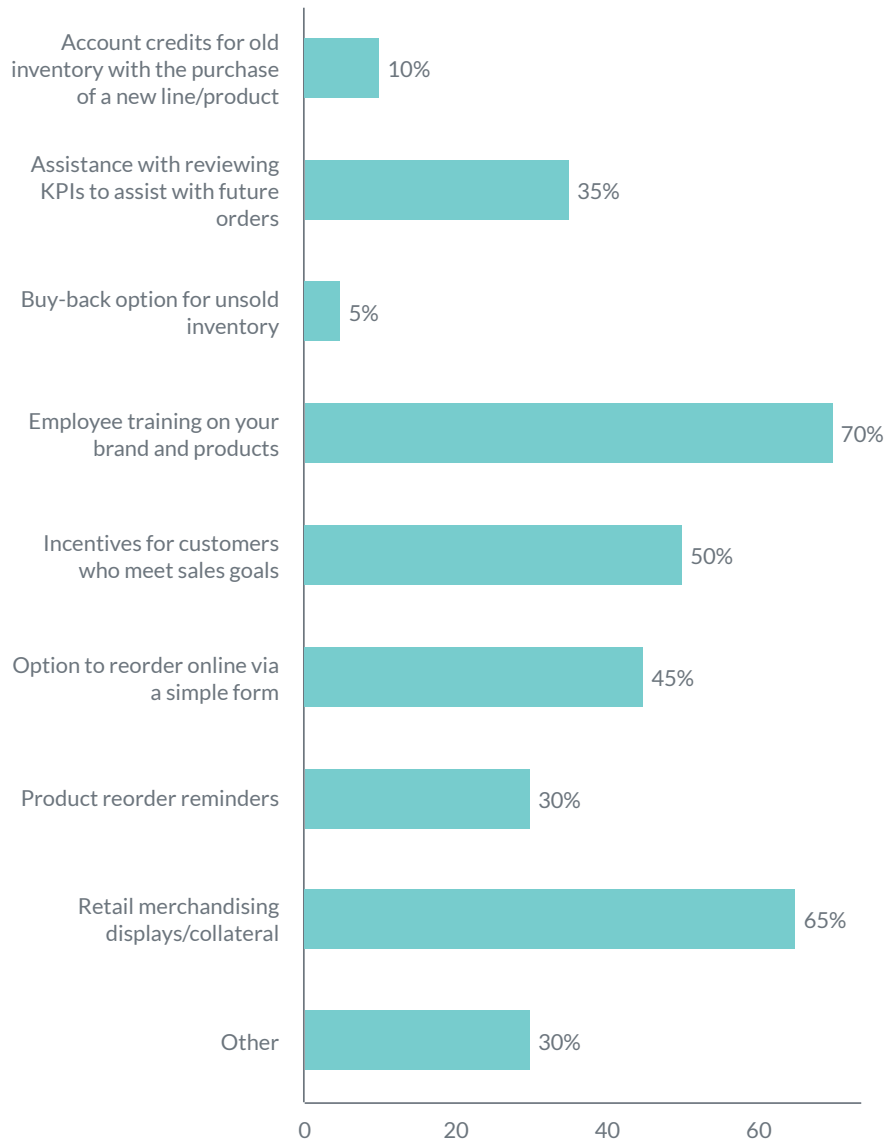
- If we have product that does not sell, we do a sales area for about a month if its does not sell then we will do an employee sale of items at cost or below for all staff in hotel. We do this two times a year.
- Mark down “stale” products and place on sales table or create “gift with purchase”
- Offering bogo deals, discounts on retail with service, discontinued product rate for team
- Our spa creates service packages with a retail component, service upgrades with retail take-home, % off retail packages when buying in bundles.
- Products not used we discount to 25% and then 50% if it does not sell, we do employee sales 75%
- Pulling monthly reports, managing orders to minimum, order only what we need. Adding product with service promotions, staff sales.
- Quarterly sales; prominent display of sale merchandise
- Seasonal sales on products that didn’t sell
- Spa mystery grab bags
- The strategy that we use with products that no longer left the warehouses and we need to move, we make sales for staff with a significant discount so that the product can leave.
- Throughout the year the property removes items from inventory that have low sell through or haven’t moved from the sales racks. Those items are sold in a large employee sale in November
- Using it for backbar
- Value add product with service
- We always start with a “staff’s pick” display to highlight the product. Next would be to pair the item(s) with a seasonal promotion, ex. With every 80-min treatment on Father’s Day, guest gets 15% of xyz product. We also have colleague sales where we offer the products at a significantly discounted price to colleagues throughout the whole hotel. They can pay directly or have it taken out of their next check. Sometimes if we only have one or two items, we use it as prizes at department meetings or incentives for sales reps to book groups in the spa.
- We bundle slow moving inventory with a treatment at a discounted price. Gwp to package slow mover with a hot seller. End of season sale. Membership sale. Extra staff incentive. Hotel employee sale with pricing that is 50% on specific merch.
- We do a quarterly sku review of products, and determine what products need to be discontinued. We have recently built out a tactical plan and calendar to move slow moving skus. The process includes working with vendor partners for return or exchanges, and then setting up all discontinued items in a specific area, to being our exit strategy sale. We offer paired product sales, which incorporates a fast-moving sku, with a slower moving sku. This has proven a great way to get specialty products into our client’s hands.
- We do not do public sale or discounts. For older items we host a companywide employee only spa sale during times the spa is closed. I found it provides great exposure to the hotel staff who normally do not get to enter the spa or have never entered the spa. The discount is larger than the employee discount already offered and often includes extra gratis that we have from vendors.

- We have a “sale section” where we place lines we are moving out as well as random one sizes of inventory left over, this section we restock weekly. Seasonal inventory, if it is performing well, we pack up and bring back the following season. We change our retail space often, moving products around tends to bring more attention to them. If something is underperforming i like to feature it on our front table and or our mannequins.
- We have a small clearance shelf with items we mark down between 30-75% off. It is rare if we do not sell through items before expiration or they have been sitting too long. We save the 75% for those items we must move through due to upcoming expiration. We have buy one get one on one item line to help move through them faster that individual discounts. Once a line or product starts to slow down in movement we change it’s location in retail, trying to bring some focus and feature it. Then we stop ordering it as we try to sell at full price. If that doesn’t work, it gets moved to the clearance shelf.
- We manage our retail pretty well and will do holiday weekend specials and sip n’ shop events to sell through inventory that doesn’t sell through
- We often put these items on 50% off sale or do a gift with purchase when they buy these items
- We place seasonal items on sale the month before the end of the season and continue to discount until they’re gone.
- We will discount any end of season product inventory, usually anywhere from 25% - 40% off. We also do a buy 1 get 1 free on previous season nail color collections. We have a sale table, separate from our retail area to highlight some of our sale offerings.
- We will offer a complimentary product with a treatment. We usually do this when we are slow.
- When we notice certain products aren’t moving we will either incorporate a special with those retail products or we partake in numerous charity organizations and will donate product baskets with those items.



Which of the following resources, if any, does your company provide to its spa clients to assist with managing product inventory? Select all that apply.

RESOURCES PROVIDED TO ASSIST WITH INVENTORY MANAGEMENT





Please describe the most common product inventory mistakes you see made by your spa clients?

- A lot of my Spa's forget about the inventory we are holding for them. I constantly give them a heads up email.
- Forecasting is the trickiest challenge since many spas are seasonal and not able to properly allocate resources to have a dedicated retail employee who could manage that.
- In many instances the spa is so busy that the team does not keep an eye on stock levels. Then, suddenly there is a rush order which costs more and if you calculate to lost opportunity cost of not having products in stock that are used in treatment it represents a significant loss in revenue. Spas should also consider ordering more in a single order and reduce frequency of orders due to high shipping costs and logistics issues which still plague the industry. Small orders frequently end up costing the spa considerably more these days. While that can be challenging from a budgetary perspective, if you rethink budgeting around this model, it is more effective for inventory management.
- Leave to last minute
- Not carrying additional stock of best sellers, and then running out of stock on the items your employees sell most frequently — missed sales opportunities. Also not offering testers.
- Not keeping enough par and waiting too long to reorder
- Only doing a physical inventory one time a year — count each quarter!
- Proper upkeep of product display, incorrect handling and upkeep of back bar heated products.
- Spas often don't manage par levels of best sellers and this leads to placing last minute desperate orders as they run out of stock.
- They do not designate a lead person per brand. This is valuable as vendors can focus on a train the trainer program and that ultimately removes the burden of scheduling group trainings and assist with new hire onboarding.
- They don't initiate promotions involving their spa services and available products.
- Throwing away items that aren't bought but also not yet expired.
- Too much or not enough inventory on hand. Need to find that magic point so sales aren't lost or dollars aren't wasted on merchandise that isn't moving.
- Using old data (order form) to place current orders. This results in missing new product introductions and occasionally ordering out of stock items.



What are some creative ways spas can promote or increase sales for a product that is not moving off the shelves?

- Create a product of the month display, including signage on features/benefits of the product, how to layer it into current routine, and a GWP to go with it!
- Education for the staff on how to sell. If there are no signs or someone to educate consumers, our products will not sell themselves.
- Free GWS, bundle with samples, “mystery swag bag”
- Front and center! Moving a product to the front desk with a sign to highlight or a shelf talker to highlight on the shelf. As consumers we respond to “new” even if it’s just in a new location with new verbiage to support.
- Gift with purchase
- Include the cost of the item in with a “special” service as a gift with treatment
- Incorporate samples and testers into the spa experience. Have sample bottles in the pool changing rooms, testers readily available. Make collaborations with the spa readily available. Is there a nearby pool? Is there potential to create a bespoke poolside service? Hand or foot massage?
- Move products to a more visible position, offer ‘bundles’. Value added buy this get that.
- One of the most effective ways to move products is to create spiffs for employees to motivate them in the process and also reward them. Partnering with your vendors to create employee engagement is key.
- Personal experience with that product, feature area around that product, reach out to vendor for selling tips and FAB’s.
- Promotional discounts for Holidays.
- Trunk shows highlighting a particular product
- Try and have themed events based on a product’s “active” ingredient. For example, if something has Vitamin C or (ascorbic acid) throw a mimosa’s and mini-facials themed event to engage new clients to not only come into the spa, but to show loyalty to returning guests. During these events it’s super important to offer incentive booking deals as well. Maybe it has to do with the products being used during the mini-facials, maybe it doesn’t. The bottom line is creating visibility around your spa or products offered is key!
- Work with third party vendors to sell additional product through other channels outside grassroot marketing