



Inventory and Retail Sales February 2010 – Snapshot Survey to Regional Groups

** The following document is a snapshot of ISPA's monthly Snapshot Surveys. Full results and analysis is available to those members who completed the survey.*

Monthly Snapshot Surveys provide ISPA members with a valuable look into the state of the spa industry, spa industry trends and also help to identify the needs of spa professionals. Snapshot Surveys are conducted on the third Friday of each month, with full results provided only to respondents two weeks from the release date of the survey. Knowledge is a valuable tool and these quick surveys provide a wealth of information shared by ISPA's members.

February's Snapshot Survey focused on inventory and retail sales. Spas were asked questions on value, revenue, management activities and turnover on retail inventory. Resource Partners were asked questions on inventory, discontinued and introduced products, primary source for selling products and calculating retail inventory turnover.

Spa professionals continuously adjust their inventory levels and purchasing decisions based on consumer demand. In 2009, 60 percent of day spa respondents and 42 percent of resort/hotel respondents reduced their spa's retail inventory when compared to the previous year. The percentage of spa revenue derived from retail sales is noticeably higher among day spa members as 48 percent of this audience's retail sales account for 15 percent or more of their spa's total revenue compared to only 17 percent of resort/hotel spas. Almost half of all spa respondents discontinued products at a higher rate in 2009 in comparison to the previous year.

Approximately half of the spa and resource partner respondents calculate an inventory turnover rate for their company to help manage their inventory. When asked to identify new retail management practices implemented by their company in 2009, a wealth of responses were provided. One spa streamlined their back bar to feature only products used during treatments and another removed "fluff" from their shelves. Products are monitored closely and discounts are being offered more frequently to keep the product moving and to assure the inventory is fresh.

Resource partners are adjusting their batch orders and 40 percent of resource partner respondents reduced the amount of inventory on-hand in 2009 when compared to the previous year. Keeping products fresh and relevant is an important key to success for this audience and as a result 84 percent of resource partner respondents introduced a new product in 2009. Only 18 percent of ISPA resource partners rely on independent sales representatives as their primary source to sell their products; whereas, 55 percent of Resource Partners are using a direct sales force and 44 percent are increasing their direct sales force as their primary source to sell products.

When both Spas and Resource Partners were asked to identify top spa retail trends, a large number of respondents expressed the demand for organic, natural, eco-friendly products. Anti-aging products were also identified as a top retail trend for 2010. Respondents expressed that consumers are looking for quality products that are economical. Spa members also added that clients are specifically requesting products with active ingredients like retinoids, green tea, peptides and antioxidants. The ingredients listed on product packaging are becoming more important to consumers.

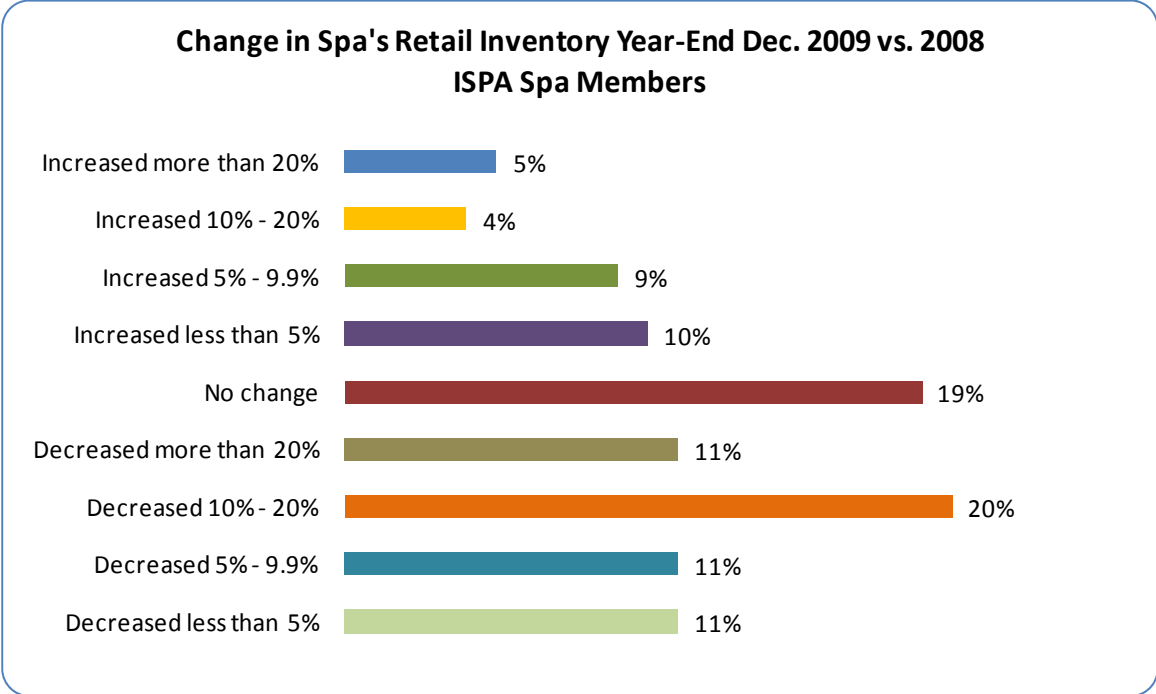
The results analysis includes answers from all respondents who took the survey in the eight-day period from Friday, February 19, 2010 to Friday, February 26, 2010. 248 completed responses were received to the survey during this time. The category "all spas" referred to within the charts includes data from all spa respondents (day, resort/hotel, medical and destination spas).

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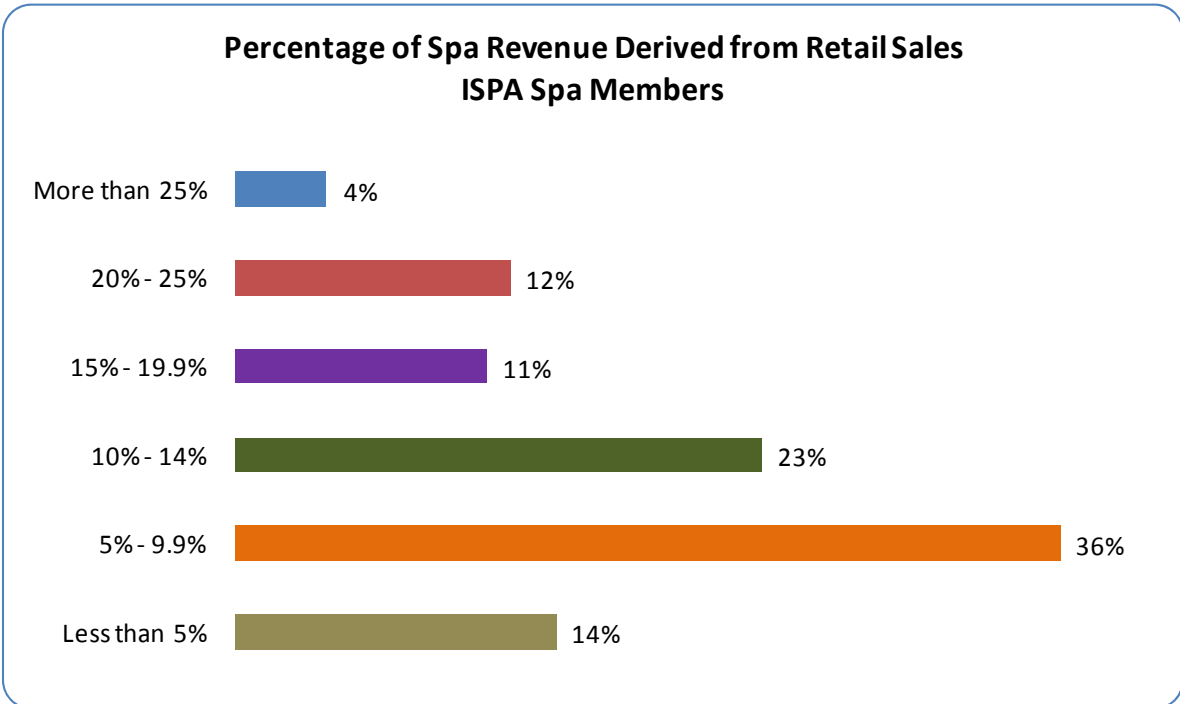


Which of the following best describes the change in the total value of your spa's retail inventory year-end December 2009 compared to December 2008?



* Information available by Spa Type for ISPA members

What percentage of your spa's total spa revenue is derived from retail sales?

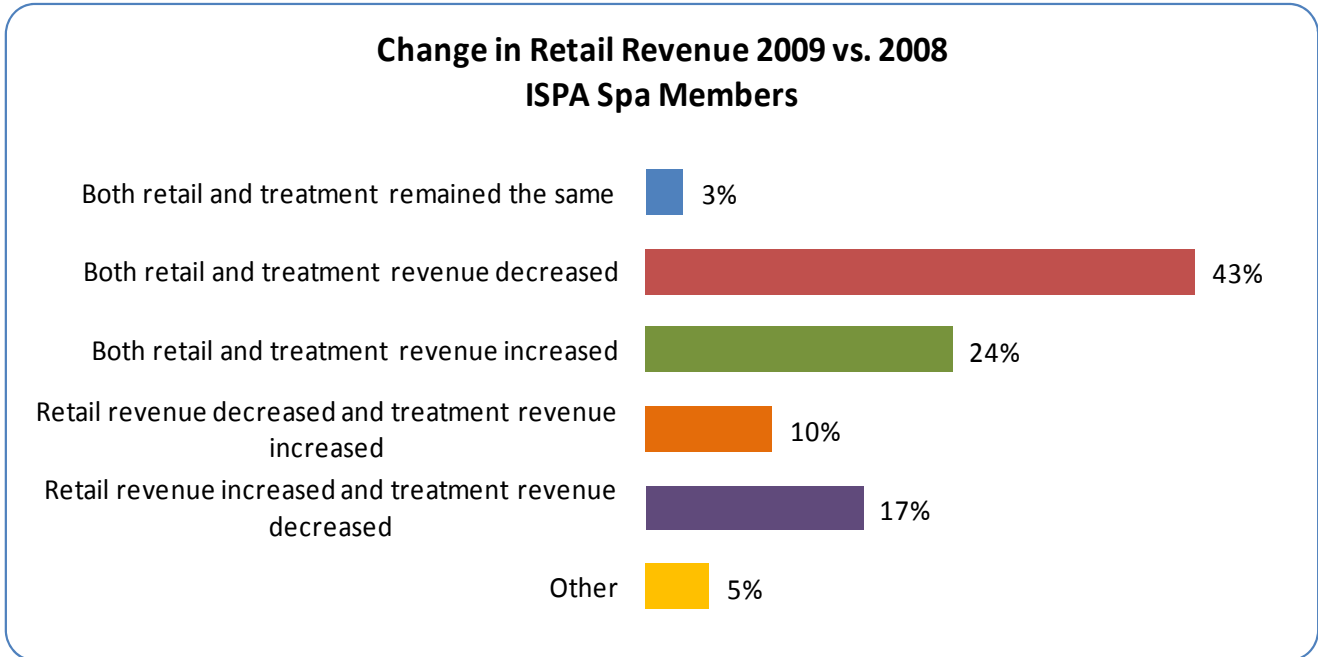


* Information available by Spa Type for ISPA members



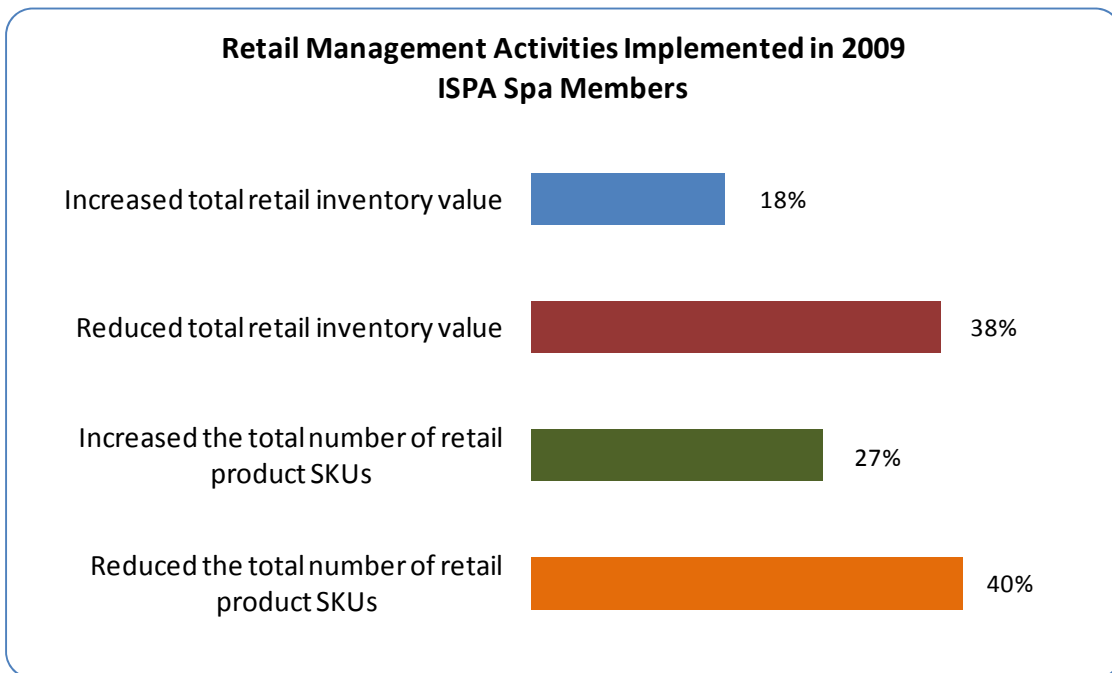


Which of the following best describes your spa's retail revenue change in comparison to your spa's treatment revenue in 2009 when compared to 2008?



* Information available by Spa Type for ISPA members

Which of the following retail management activities, if any, did your spa implement in 2009? (Respondents were asked to select all that apply.)



* Information available by Spa Type for ISPA members





Respondents were asked to identify any new retail management practice(s) implemented in 2009 and the reason for implementing the new practice(s). Below is a sample of the responses.

- Cycle counts of products versus monthly inventory to assist with labor costs. Strategized "open to buy" to reduce inventory that is not turning.
- We changed our strategy for retail altogether by featuring more products with a retail of \$50 or less.
- Comprehensive retail program included staff accountability, performance tracking and we had several vendor programs to enhance performance.
- Purchasing items on an as-needed basis.
- Streamlining back bar presentation to present only the products used on each guest. Creating a VIP program to reward guests to return.
- Over the Christmas buying season, we increased the number of retail items we could sell for under \$25 which was extremely successful.
- Going to implement ISPA retail management book in our operations. Decided to track monthly turns, never have before.

**** Additional responses available to ISPA members***

Respondents were asked to identify what they consider to be the top spa retail trend(s) for 2010. Below is a sample of the responses.

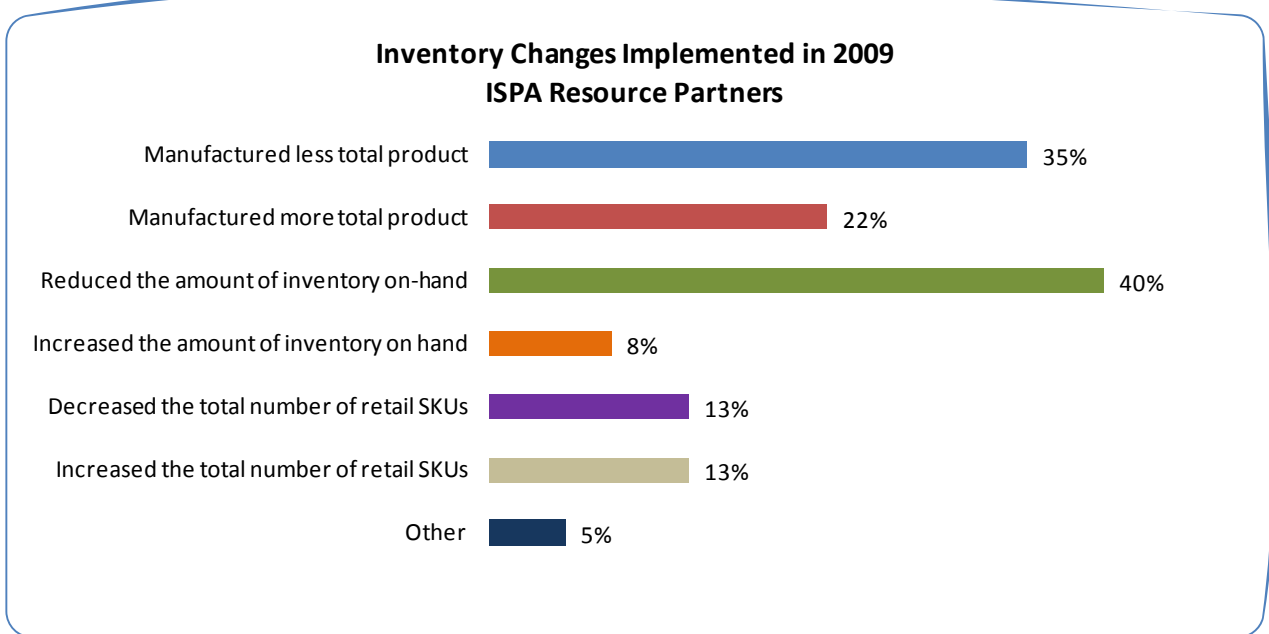
- More organic, celebrity following and candles are a huge hit. Result-driven products with proof after a facial.
- Our guests are looking for all natural and organic products that are high quality and fairly priced. We are also seeing an increase in spending when the product is worth it.
- Less impulse and fluff purchases. Quality wins out.
- Changes in consumer demands. Customers want more value when looking for a spa.
- Consumers are extremely value-conscious and always asking for deals of the month.
- Price does matter so you either have to provide education to the client to influence the buy or look at some lower price points to sell merchandise.
- Lower price point, quick grab and go items and items which are new and fresh.

**** Additional responses available to ISPA members***

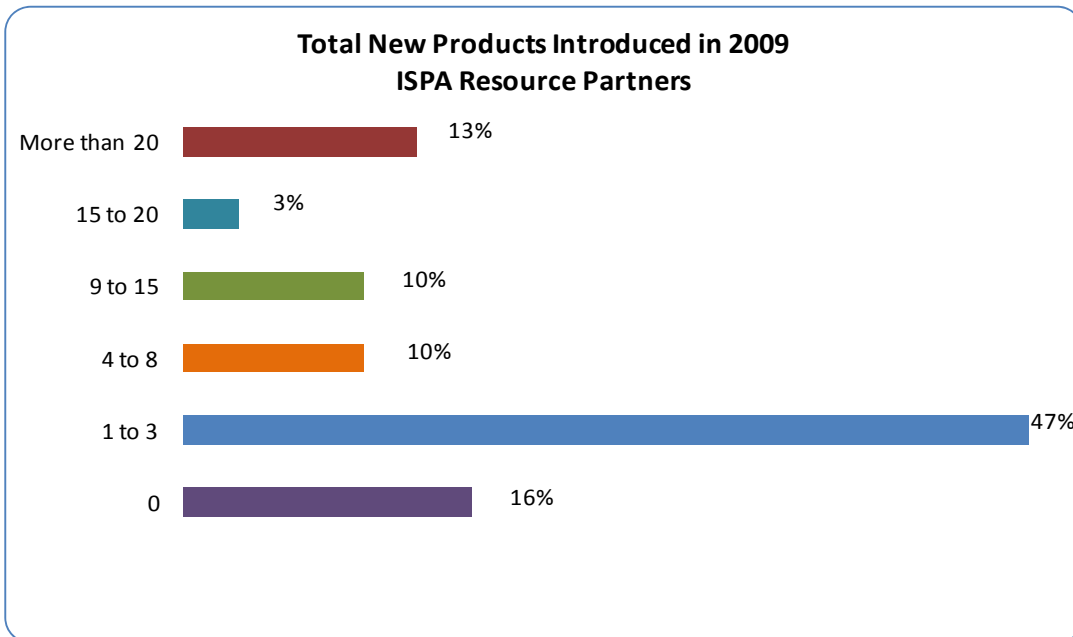


ISPA Resource Partners

Which of the following, if any, inventory changes did your company implement in 2009? (Respondents were asked to select all that apply.)

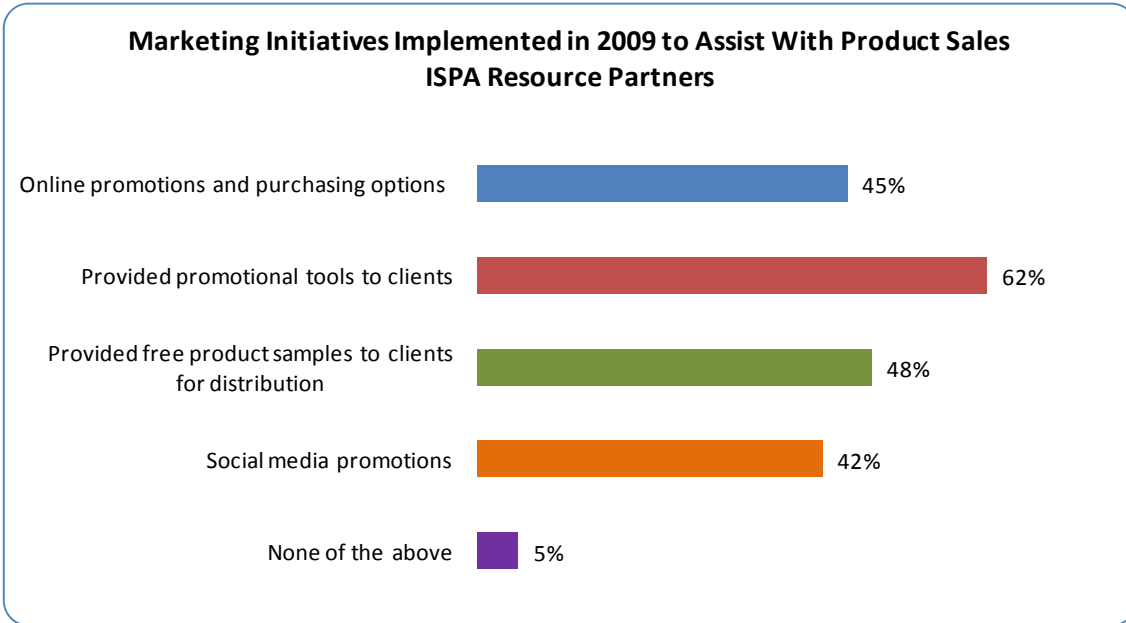


How many total new products did your company introduce in 2009?

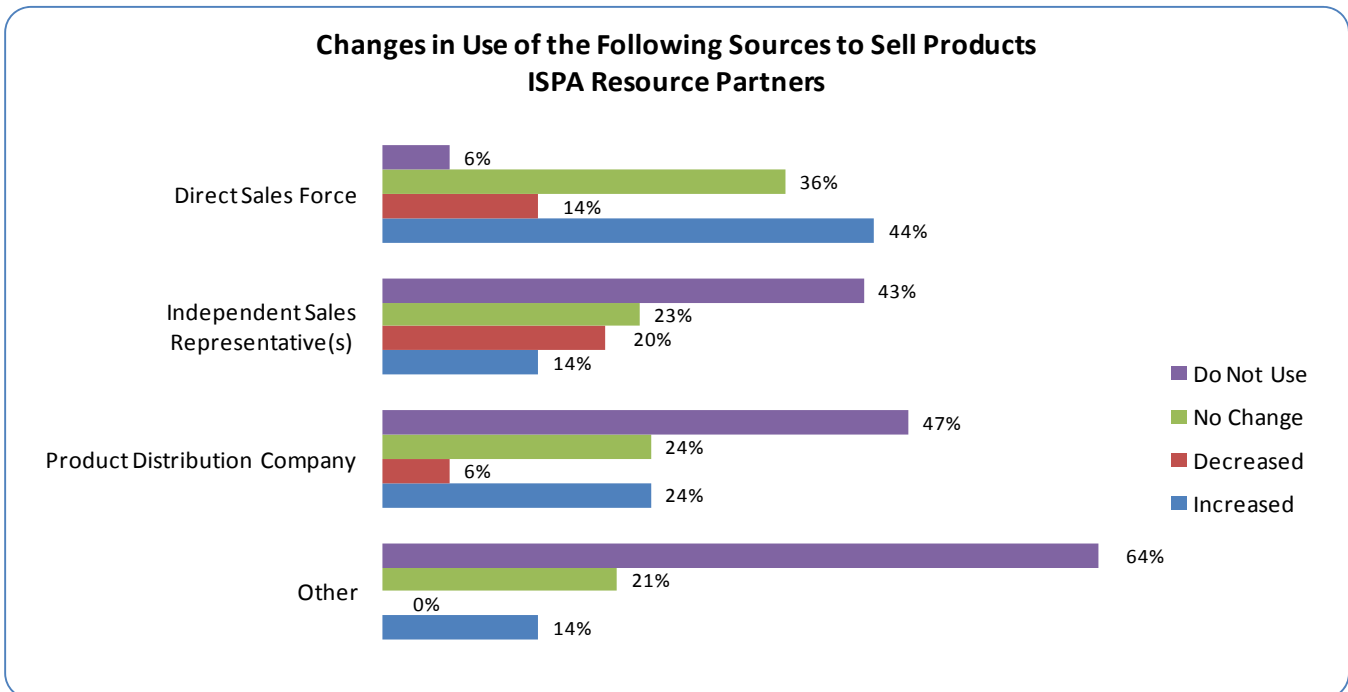




Which of the following marketing initiatives, if any, did your company implement in 2009 to assist with product sales?

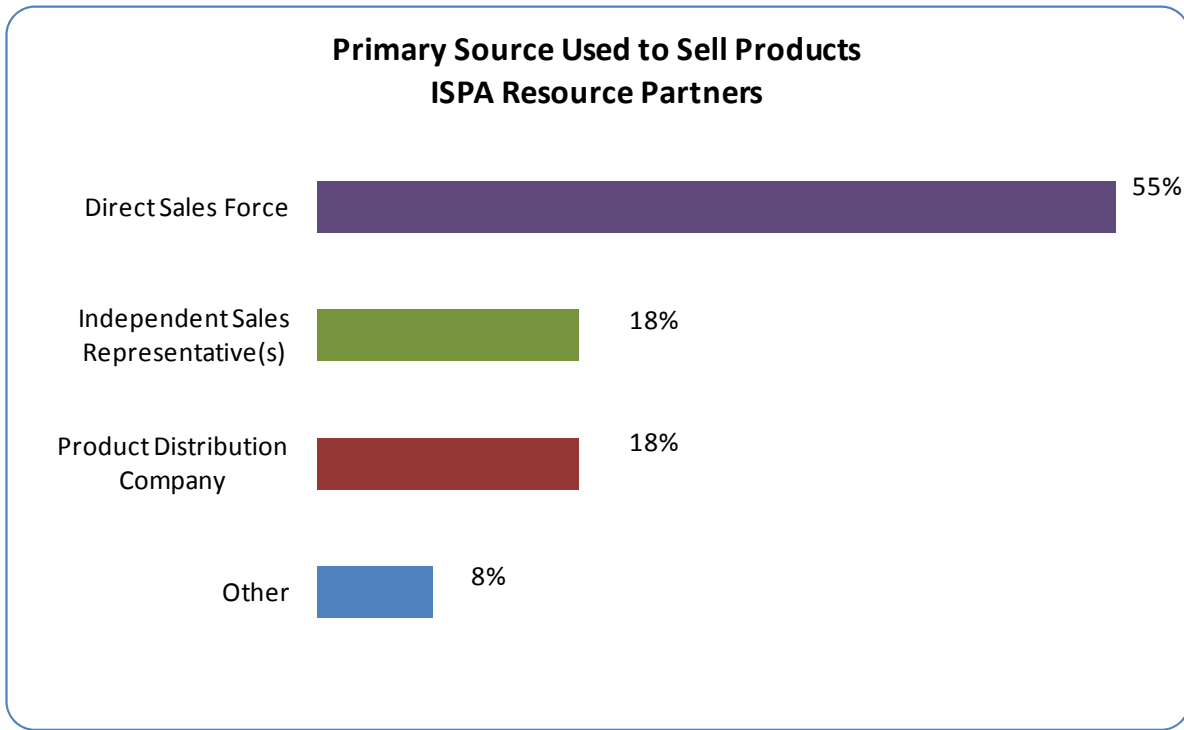


Please identify any changes in the use of the following sources to sell products in 2009 when compared to the previous year.





Which of the following does your company utilize as the primary source to sell products?



Respondents were asked to identify any new product inventory practice(s) implemented in 2009 and the reason for implementing the new practice(s). Below is a sample of the responses.

- Ordering in smaller batches which provide freshness as an advantage, less waste, less money tied up in inventory.
- Make smaller batches of finished products and hold less in inventory.
- Less on-hand inventory kept in warehouse, fresher products for client and easier forecast.
- My company in late 2009 was service-based only and at Conference we opened accounts with four different vendors to start carrying their products.

** Additional responses available to ISPA members*

Respondents were asked to identify what you consider to be the top spa retail trend(s) for 2010. Below is a sample of the responses.

- Branded spas with a great retail line of their signature treatment will do well.
- Less expensive products and result-driven products.
- Better forecasting and just-in-time inventory management techniques.
- Products and services geared toward prevention.
- Increase in online sales.
- Products that have a meaningful story.
- Listing all ingredients on packaging.

** Additional responses available to ISPA members*