



International SPA Association

2004 Spa Industry Study

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Prepared for ISPA by



About the International SPA Association

ISPA is recognized worldwide as the leading professional organization and voice of the spa industry. Founded in 1991, ISPA's membership is comprised of more than 2,000 health and wellness facilities and providers from 63 countries. ISPA strives to advance the professionalism of the spa industry by providing invaluable educational and networking opportunities, to promote the value of the spa experience to society, and to be the authoritative voice of the spa industry.

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About the Association Resource Center Inc.

The Association Resource Centre Inc. is a full service management consulting firm that specializes in meeting the diverse needs of the not-for-profit sector. Through its Research and Strategy Division, the firm provides a broad range of research services to associations and to the members they serve. The Association Resource Centre's extensive background in governance, strategic planning and association research enables it to interpret the data it receives and to provide insightful analysis as to what the data means.

Disclaimer

Although the information in this report has been obtained from sources that the Association Resource Centre Inc. believes to be reliable, its accuracy and completeness cannot be guaranteed. This report is based on survey responses of spa establishments during the survey period of June 2004. This report is for information purposes only.

All opinions and estimates included in this report constitute the views of survey respondents combined with our judgment as of this date and are subject to revision.

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EXECUTIVE SUMMARY

In its role as an industry leader, ISPA commissioned the first ever comprehensive study of the spa industry in 2000. This study was the first of its kind to address key issues such as industry size, revenue, employment and growth. It also provided a basic profile of the industry. An update of this study was conducted in 2002. These numbers (and the associated industry statistics such as revenue and employment) are more than just interesting facts; these statistics show the relative health of the industry and provide ISPA and industry members with a powerful tool when trying to influence key decision makers such as the government and financial lenders. With this in mind, it is critical that there be up-to-date estimates and ISPA engaged the Association Resource Center Inc. to update the findings from its 2002 study.

This executive summary highlights the key findings from the 2004 study. The report contains more detailed analysis including product/service offerings, employment and a profile by spa type, geography and ISPA membership status. The 2004 study includes three new features: retailing, medical treatments and branding.

How Big is the North American Spa Industry?

This study looks at several key measures of the size of the spa industry.

- **Spa Locations:** There are an estimated 12,100 spas throughout the U.S and 2,100 in Canada. In the U.S., the largest spa category, accounting for seven of every ten spas, is day spa. Resort/hotel spas are the second largest group, followed by club spas, medical spas, mineral springs spas and destination spas. Geographically, the distribution of spas in the U.S. generally reflects the distribution of the population with the North East being the largest region. In Canada, the distribution of spas is concentrated in Ontario, British Columbia and Quebec.
- **Spa Visits:** There were approximately 136 million spa visits made in the U.S. in 2003. Sixty-percent (60%) of these were to day spas while 27% were to resort/hotel spas. The remaining 13% are spread across the other four spa types.
- **Square Footage:** The U.S. spa industry occupies an estimated 86.7 million square feet of indoor space. Despite accounting for only 14% of locations, resort/hotel spas account for an overwhelming 37% of industry space. On average, 39% of space in the U.S. and Canadian spas is occupied by treatment rooms.
- **Revenues:** The U.S. spa industry generated an estimated \$11.2 billion in revenues in 2003. On average, half (52%) of a spa's revenue is derived from treatment rooms. Resort/hotel spas, despite the size of the segment, account for an impressive 41% of industry revenue while the largest segment, day spas, accounts for just under half (49%).

- *Employment:* An estimated 280,700 people are employed by the U.S. spa industry. Fifty-one percent (51%) of these employees are full-time, 34% are part-time and 15% are on contract. Employee wages and salaries totaled approximately \$4.9 billion in 2003.

How Fast is the Spa Industry Growing?

Growth has continued in some areas of the spa industry; but not in all areas. Following are the key growth areas:

- *Locations:* The number of spa locations continued to grow between the 2002 and 2004 studies at an average annual rate of 12%. Interestingly, the growth rate in the number of spas has gradually moderated since its peak at 51% in 2000. Between 2002 and 2004, the medical spa segment expanded faster than any other segment, with the number of medical spas growing by 109% compared to 26% for the U.S. spa industry as a whole. Resort/hotel spas have also grown faster than the industry average.
- *Revenues:* Aggregate industry revenue growth has moderated over the last couple of years. Between 1997 and 2001, aggregate revenue was doubling every two years. However, in 2002 the industry saw a more moderate growth rate of 6.5% bringing industry revenue to \$11.4 billion. This growth rate is more in line with what other key leisure industries experienced in 2002 and is more sustainable over the long term. In 2003, the spa industry's \$11.2 billion in revenue represents a slight decline of 1.8%.
- *Employment:* Employment in the spa industry has remained relatively stable since 2001, fluctuating between 254,000 and 282,000 employees.
- *Spa Visits:* As in any industry, demand is the driving force that determines how well the industry performs. Between 2001 and 2003, the industry saw a drop in visits of approximately 13%.

Spa Pricing and Productivity

Following are a number of other key benchmarks for the spa industry:

- The average price of a spa treatment in the U.S. is \$75. The average cost per massage is \$76, while the average cost per facial is \$80.
- U.S. spas earn an average of \$172 per square foot, \$52,163 per treatment room, (only treatment room revenue is included), \$143 per spa visit and \$277 per client.

What are the Key Trends in the Industry?

The report details a number of key industry trends.

- *Product Trends:* Industry executives indicated that there is a “revolution” in cosmetic procedures and consumers can “look better without the need for cosmetic surgery”. The Eastern/Asian influence continues to be very strong in the industry and there is a desire for natural as opposed to artificial products. The trend towards medically-based products has also continued. A newer trend in the industry is spa influenced products such as clothing, home-spas, spa-like tubs and home massage tables.
- *Consumer Trends:* Spas continue to lose the “pampering” image as the industry continues to broaden its consumer appeal. A key driver in this trend is that people want to reward themselves for working hard. Another key trend is the continued increase in the number of men visiting spas.
- *Investor Trends:* While the industry continues to have difficulty finding funding, it appears to be easier to find than it was several years ago. Branding and retailing within the spa industry, particularly among resort/hotel spas, continue to be a key trend in the industry and is expected to continue for some time. While the results of the study do not suggest that there has been extensive consolidation, the feeling is that the industry is ripe for it.

Conclusions

A number of conclusions and industry implications can be drawn from the study findings. The following is a summary of key conclusions and implications for the U.S. and Canadian spa industries.

- *The spa industry has proven that it is more than just a trendy fad; it is a major player in the hospitality and leisure arena.* Over the past two years, the spa industry has maintained its ranking against other key U.S. leisure industries despite a slower rate of growth. The spa industry has proven that its positioning is sustainable. The spa industry has arrived.
- *Industry growth has moderated over the past two years.* For nearly a decade, the spa industry saw tremendous growth in every facet of the industry. The last two years has seen this growth level out. While the number of locations continues to grow, other aggregate industry measures have tapered off or even decreased in the past two years.
- *Day spas continue to be the largest industry segment in terms of number of establishments; but resort/hotel spas are quickly becoming the dominant player.* The resort/hotel segment represents only 14% of spa locations, but it accounts for a disproportionately high share of the total industry revenue (41%), spa visits (27%) and employees (26%).
- *Medical treatments and spas represent a key growth area.* Over the past two years, the medical spa segment has been the fastest growing (in terms of locations) in the industry. In addition, many spas in other segments have been adding these types of treatments.

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