

NORTH AMERICA: *United States*

ECONOMIC CLIMATE

The economic pressures of 2010 have resulted in people turning to spas for regular maintenance of mind, body and spirit. Spa-goers are still going, but taking fewer treatments than before. Hotel spas are experiencing fewer guests than before; however, this is because of a drop in hotel occupancies; hotel guests who decide to travel regardless of the economy are partaking in spa services just as much as they were before, and the spa capture rate of in-house guests has remained consistent. The fitness industry is experiencing surprisingly positive results, showing that consumers are not forgoing their fitness regimes despite tougher economic times. People are working out because they are stressed out and have decided to take care of “number one.”

STATISTICS

The majority of spa clients are women ages 35 to 55. “Baby boomers” represent a large portion of these consumers, and nearly 90% of these clients have done something to maintain a youthful appearance, whether it is receiving anti-aging facials, meditation, yoga, holistic nutrition, or cellulite treatments. Young spa-goers (between 26 and 35) are more likely to use the Internet to find spas and purchase products. They are also more likely to request additional treatments at spas, an important consideration given the crucial role played by the Internet, social networking, and other modern media. There is a significant rise in the number of men visiting spas, according to ISPA. In some regions, males make up as much as 40% of the clientele. Market research from Mintel has stated that male-specific product sales are growing at the expense of unisex toiletries. Eight years ago, the medically based day spa industry began growing at a rapid pace and remains one of the fastest growing segments of spas. Statistics from the International Medical Spa Association report that the desire for a “stress-free” treatment environment, access to more non-invasive healthcare alternatives, and the availability of advanced technology such as laser and other anti-aging solutions promise steady triple-figure annual growth for medi-spas within the next 10 years. Currently, it is a \$1 billion industry.

In a recent survey by ISPA, members reported:

- Business is strong due to a loyal client base
- Some members are seeing dips in new business
- Guests are scheduling fewer advanced bookings
- Guests are booking fewer treatments per visit
- Retail sales appear to be slowing
- Weekday appointments are slowing
- Implementation of cost-saving efforts: cross-training staff, reducing staff levels, cutting back on overtime, downsizing renovation projects, reducing inventory

SPA INDUSTRY BRIEFING: *United States*

Incentives being used:

- Complimentary gift cards with a gift card purchase to discounts ranging from 20% - 50%
- Memberships to spas, providing guests with free products upon completion of a service, and upgrades
- Reduced weekday rates as a way to increase bookings
- High discount cards to loyal clients
- Discount coupons for gift shops or “buy five services, get one free” offers
- Free access to wellness lectures and fitness classes
- Overall, nearly all members noted offering a little something extra for clients
- Some noted that the best way to achieve guest loyalty is by offering the highest level of service

Ideas to increase business:

- Partner up with local charities and donate a portion of sales to get media attention, partner with local businesses to offer special incentives to their employees, customers, clients, and/or members, getting their spa advertised in the company’s newsletter, work with local newspapers, magazines, and TV stations to tell them about unique services, specials, and the above-mentioned partnerships
- While 30% of spas had gross revenue decreases of 10-19%, only 7% experienced a decrease of 35-50%, and 32% remained the same or increased revenues.
- Profits for the above-mentioned spas were up for 33% of the respondents, flat for 15% and down by 1-19% for 35% of the respondents. This is an indication that spa owners and directors are sharpening their staffing guidelines, yield management skills, and keeping operating expenses in check in order to save costs during times when there are fewer spa visits (69% of respondents experienced a decrease in spa visits) and/or guests are not willing to pay top dollar for spa services.

According to a recent study by U.S.-based consultancy WSL Strategic Retail:

- 80% of consumers “are not buying anything that they don’t need,” especially in skincare retail
- Sales of facial skincare products priced above \$70 declined by 6% in the 4th quarter of 2008 and 7% in the 1st quarter of 2009
- Brands need to have legitimacy
- Brands need to create an opportunity for the consumer to trade down

While we have been in a luxury drought, there is hope as can be seen in the figures showing luxury spending rose overall by 29.4% in the third quarter of 2009: It is interesting to note that the strongest growth is taking place among experiential items (hotel, spa, travel, dining) and decreasing in the personal category of fashion and jewelry.

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