



Day Spa Benchmarks: A Blueprint for Success

What You Need to Run a Competitive and Successful Day Spa

*The Day Spa Association is proud to be
the first to provide a benchmarking report
for the Day Spa Industry*

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Introduction

The day spa industry is growing more rapidly than anyone can imagine. The number of spas has increased dramatically in recent years, and the number of spa-goers continues to increase every day. Consumers are beginning to realize the benefits of spa services and the importance of finding a reputable facility to rely upon. As expected, consumers are beginning to expect the best for their money, when it comes to spa services.

In years past, any gym, beauty salon, nail or hair care facility could claim themselves as a day spa, as long as they offered certain day spa services. The increase in popularity, as well as, the aging of the baby boomer population, has caused a significant interest in this industry.

So, why create a benchmarking report?

Day spas, their owners, their manufacturers, and their customers are in constant competition. Many are competing with a number of "pseudo" day spas that aren't concerned with the philosophy of The Day Spa Association, but rather how to make more money by offering spa services.

The issues covered in this report were identified through a collaboration of The Day Spa Association and its members. It was subsequently researched, written, and edited by the following members of The Day Spa Association's professional staff:

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This report is part of The Day Spa Association's recommended literature section. Additional research reports include:

- The Day Spa Business Report
- The Day Spa Business Bible
- The Marketing Demographics of a Day Spa Goer
- What do Day Spas Most Value When Considering a New Product

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Background and Objectives

As a day spa professional, you may think you have a pretty good idea of where your company has been. But, do you have any idea of where it is going? This benchmarking report can help your spa grow faster by providing insight into successful day spas; what services they provide, their financial outlook, their client profile and more. Having this information at your fingertips will allow you to have inside information for better planning, marketing and purchasing decisions.

A survey of members of The Day Spa Association was conducted in 2002. Through this research, you will have inside information on services, training, client information, marketing efforts and an outline of revenues.

Spa owners need to know what potential customers are thinking, what new products are being used and developed and how to make a profit.

Many corporations have dedicated staff to surf web portals and chat rooms to get the latest industry statistics, trends and even gossip. As a day spa/salon owner, most of your time is dedicated to your clients, not sitting behind a computer.

Even though the day spa industry is a people-oriented business, spa owners still need research, manufacturing and marketing information. Benchmarking can be the reason many day spas/salons are still in existence today. Most owners are thinking about success strategies for tomorrow, next week and the rest of the year.

As stated in a recent article, "Success Factor", by Mark Mehler, "one way to figure out the short road ahead is through benchmarking – which is a systematic procedure for comparing the performance of an organization, function or process against that of another company or companies. Translation: How does your company stack up against the other guys? Many experts think the process is an essential skill for any large or small business."

This sounds great, but how does a spa professional find the time to add a research component into the busy day-to-day operations of the spa industry?

You don't have to.

The Day Spa Association and researcher, Robin M. Kelleher, Ph.D., have surveyed a pool of day spas/salons across the world in an effort of benchmarking day spa key performance indicators.

The results found in this report will help any spa owner, industry manufacturer and related professionals better understand the spa industry from the inside-out.

Scope and Method

A two-page self-administered questionnaire was emailed to spa members of The Day Spa Association. The email included an invitation to update their profile and the spa questionnaire. For any member that an email address was not available, copies of the profile form and the questionnaire were faxed to their attention.

Question areas focused on current and future day spa facility specifications, amenities, staffing, sales, clientele, marketing, customer service, quality assurance and future plans.

The questionnaires were mailed in late August 2002. Questionnaires continued to be returned into October 2002.

Total List Size =	335
Total Respondents =	72
Response Rate =	21%

- Since this was the first time to survey spa members of The Day Spa Association, there was no expected response rate.
- All surveys were tallied and run through SPSS, a statistics program, to determine frequencies and valid percentages.
- A copy of the questionnaire is appended to this report.

Executive Summary

Based on results obtained in this study, the following highlights are characteristics of “a profile of a successful day spa”.

Size

- The average spa is less than 5000 square feet. (70% reported being 5000 square feet or fewer).
- The average spa has 10 or fewer total treatment rooms.
- Of these treatment rooms, 4 or fewer are dedicated solely to massage and 4 or fewer are dedicated solely to esthetics. A few spas reported having specific hydrotherapy or wet rooms. In addition, most spas report having manicure and pedicure stations.
- Most spas have private treatment rooms, eliminating semi-private or partitioned rooms.
- The average treatment room is between 100-150 square feet.
- Eighty percent of spas reported having a shower and changing area and 64% reported having a lounge/relaxation room.
- Many also provide a boutique, conference or meeting facility and separate men’s and women’s locker facilities.
- The typical spa is a stand-alone facility.
- Of those reporting to be part of another facility, the majority are with medical facilities, plastic surgeons, fitness centers or hotels.

Business Mix

- The average spa has 5 or less technicians/spa therapists on staff. Very few spas have more than ten.
- Nearly 75% of staff are employees, while 25% are independent contractors.
- Almost half of the spas reported offering a benefits program to staff.

Products Sold

- Most spas (92%) generate about 60% of gross sales from services.
- Responses were virtually evenly distributed between 20% and 60% of sales being from esthetic services.
- Over 25% generate 50% or more from body therapy services.
- Nearly 75% generate less than 30% of their sales from retail sales.
- More than one-in-three spas realize less than 10% of sales from nail services.
- 15% of spas reported that over half of sales come from hair services while the balance of saps fall between 10-39%.
- More than half of respondents (60%) generate between 70-90% of gross sales from services.

- Almost 40% of spas reported that 80% or more of their services are rendered a la carte.
- Almost one-quarter of respondents deliver 50% or more of their services as a package deal.

Customers

- Most spas reported that males represent 10-20% of their clientele, with an average between 31 and 40.
- Nearly 50% of respondents reported the average age of their female clients is over 40.
- Among the top six products retailed by spas, Dermalogica is the top line (24%) purchased by customers.

Promotional Mix

- Incentive pricing appears to be a popular marketing technique to increase business.
- Traditional advertising mediums of newspaper, print (including trade magazines), radio/TV, and yellow page ads dominate spa promotions.
- Spas are beginning to have reciprocal referral relationships with other professionals. Plastic surgeons share the highest reciprocal referral relationship with 37%.
- Dermatologist and Chiropractors are close behind with 34% and 33% respectively.

Business Mix/Future Plans

- Less than half of spas offer a guarantee for their services.
- Fewer give customer evaluations (38%) or the mystery shopper program (32%).
- Many spas are not aware of the training their technical staff receives (41%).
- Outside this unknown area, most spas offer between 26-50 hours of training for their technical staff.
- Thirty percent offers training for their support staff.
- Many spas plan to expand their facility within the next year (44%).

Detailed Findings

About Your Facility

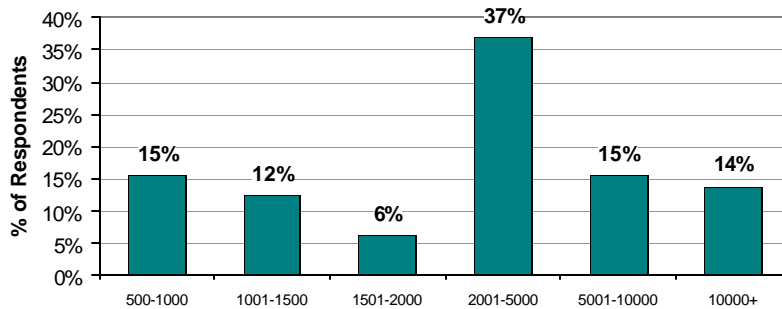
Whether you are adding to an existing facility or just getting starting in the spa industry, the most important thing for any spa professional is to research and plan your facility from all angles.

In general most treatments could be performed in a dry room except hydrotherapy treatments, salt glows or body polishes and mud masks. Budget and space will determine to a great degree the number and variety of rooms and equipment. The figures below show you the averages of spa facilities.

What is the square footage of your day spa facility?

- There appears to be fairly even distribution of day spas by size
 - 33% of respondents operated day spas of 2000 square feet or less
 - 37% reported days spas between 2001-5000 square feet
 - Almost 30% operate large, 5000+ square feet facilities

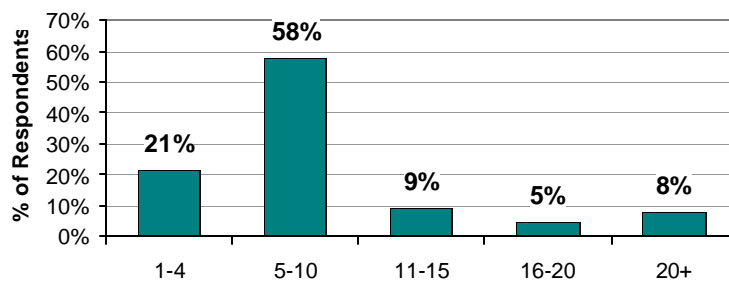
Average Square Footage



How many treatment rooms does your spa operate?

- Almost 80% of respondents operate 10 or fewer treatment rooms
- One-fifth operate fewer than 5
- Only 13% operate more than 15

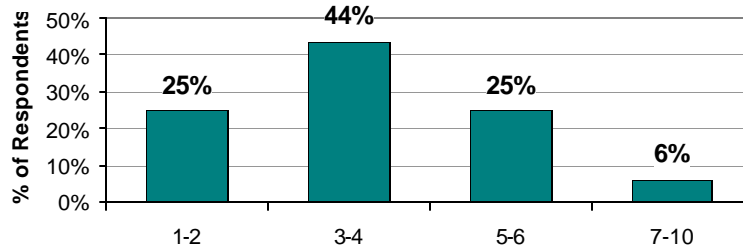
Average Number of Treatment Rooms



How many of your treatment rooms are massage specific rooms?

- One-quarter of respondents operate 2 or fewer massage rooms
- Almost half operate between 3 and 4
- Less than one-in-ten operate more than 6 massage rooms

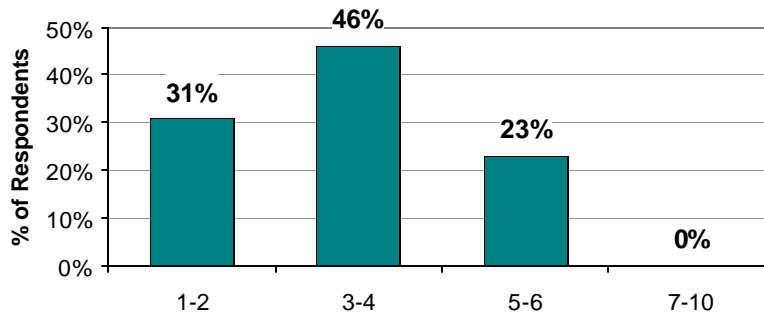
Average Number of Massage Specific Rooms



How many of your treatment rooms are esthetic specific rooms?

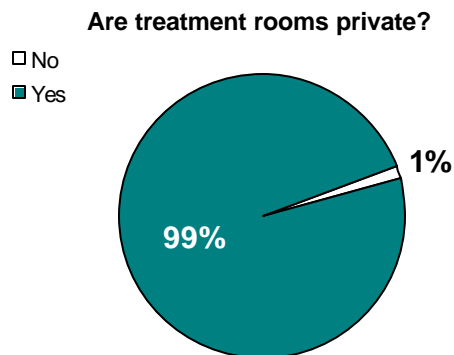
- Slightly more than 30% of respondents operate 1 or 2 esthetic rooms
- Almost half operate 3-4 while over 20% operate 5-6
- No respondents operate seven or more rooms

Average Number of Esthetic Specific Rooms



Are your treatment rooms private?

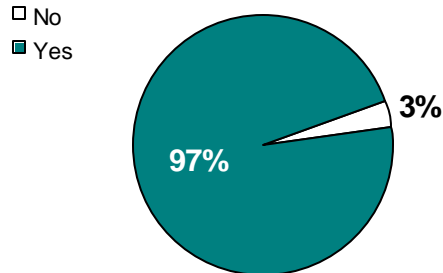
- Virtually all respondents indicated that their treatment rooms were private



Are spa treatment areas completely separated from salon areas?

- Virtually all respondents indicated that their spa treatment rooms are separate from salon work areas

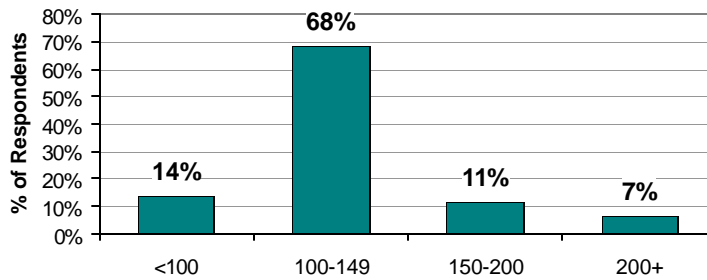
Are spa treatment areas completely separated from salon areas



What is the approximate size of your average treatment room?

- The majority (68%) of respondents' treatment rooms are between 100-149 square feet (e.g., 10'x14')
- Very few treatment rooms (14%) are smaller than 10'x10'
- Approximate 10% of rooms are between 150-200 square feet (e.g., 12'x14') while less than 10% are over 200 sq. ft. (e.g., 14'x16')

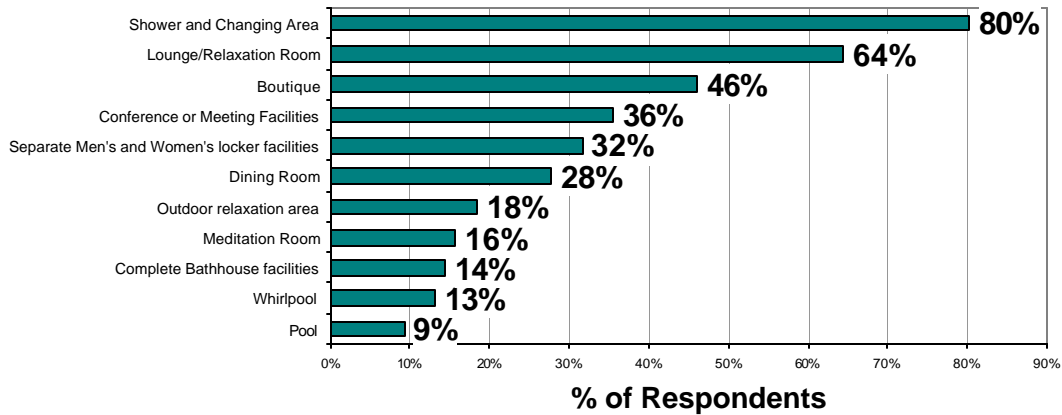
Approximate average dimensions of treatment rooms



Which of the following amenities does your spa provide?

- A majority of spas offer both shower/changing areas (80%) and lounge/reception rooms (64%)
- Separate locker facilities, conference/meeting rooms, and a boutique were the only additional amenities offered by more than 30% of spas
- Few spas (<15%) offer water amenities such as baths, whirlpools, or pools

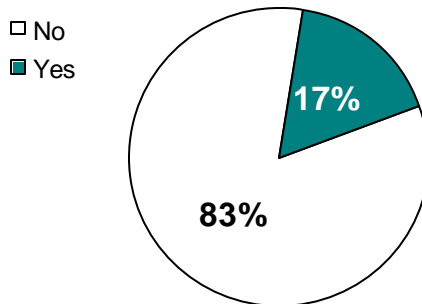
Amenities provided by your spa



Is your spa part of another facility?

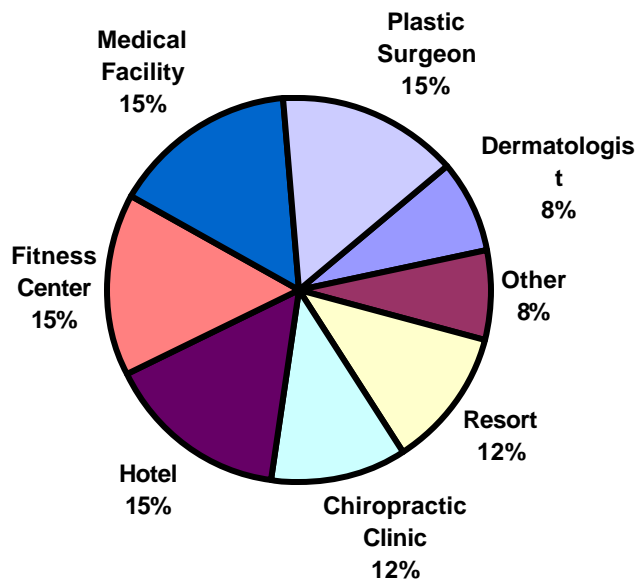
- Slightly less than one-in-five respondents (17%) indicated that they were a part of another facility
- Over 80%, however, operate independently

Are you part of another facility?



If your spa is part of another facility, with which type of facility is it affiliated?

- Of the 17% of respondents that indicated that they were a part of another facility, there was a diverse response to which type of facility
- 50% are affiliated with medical facilities (e.g., Plastic Surgeon, Dermatologist, Chiropractic Clinic, or general Medical Facility)

Are you part of another facility?

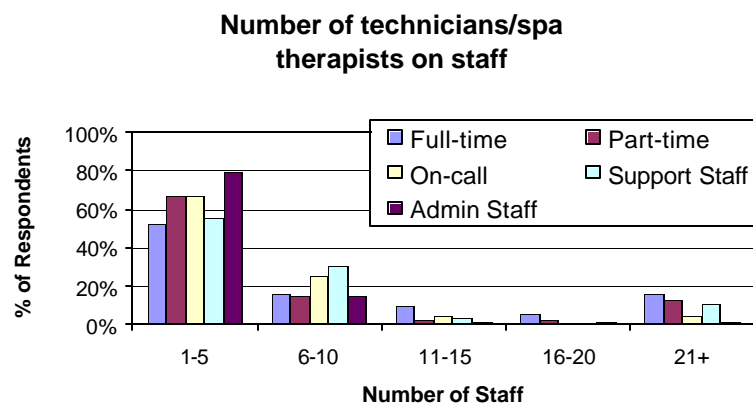
About Your Staff

Spa staffing remains by far the most difficult responsibility facing spa owners today. With dramatic changes taking place in the spa industry, owners are finding themselves facing more difficult and complex situations every day. By gathering information on how other spas operate, the successful spa owner can make more educated and profitable decisions. There are no short cuts or magic formulas to creating the perfect staff or benefits program, but there are some proven combinations of full-time, part-time and contractors that prove useful.

Your staff will consist of many employees and contractors over the years. There are books that can help you hire, interview, encourage teamwork and create policies for the staff. This research can help you make sound business decisions about the number of staff, whether they should be full-time or part-time, on-call, administrative staff or support staff.

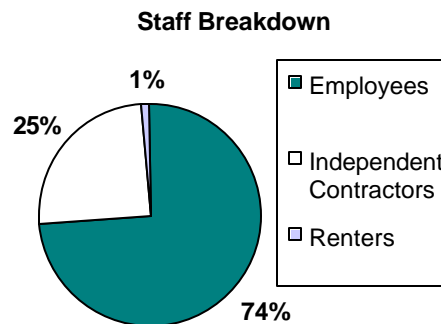
How many technicians/spa therapists (full-time) do you have?

- A clear majority of respondents utilize 5 or fewer full-time, part-time, or on-call technicians/spa therapists
- 95% of respondents employ 10 or fewer part-time technicians/spa therapists



What is the breakdown of your staff?

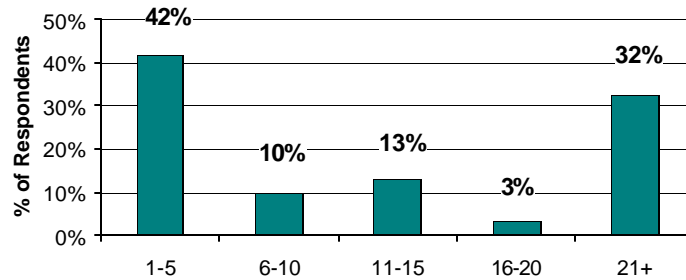
- 74% of staff are employees of their spa/salon, while 25% of staff are independent contractors
- A minimal number amount of staff is renters according to respondents



How many employees do you have?

- Less than half of respondents (42%) report having between 1-5 employees
- Slightly more than 25% have between 6-20 employees
- Almost one-third employ more than 21 staff members

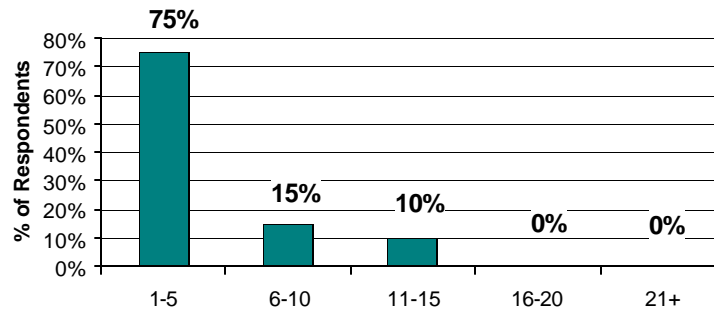
Average Number of Employees



How many independent contractors do you have?

- Three-quarters of spas use 5 or fewer independent contractors
- All respondents (100%) employ 15 or fewer independent contractors

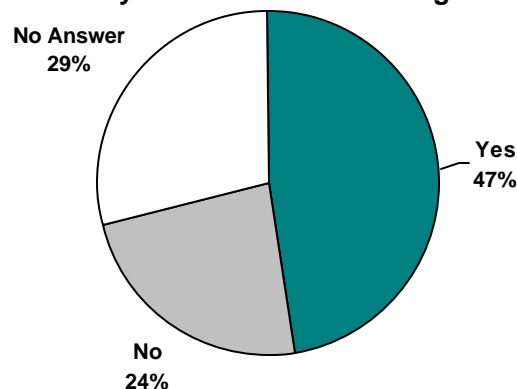
Average Number of Independent Contractors



Do you have a benefits program?

- Almost half (47%) offer a benefits program to staff

Do you Have a Benefits Program?



About Your Sales

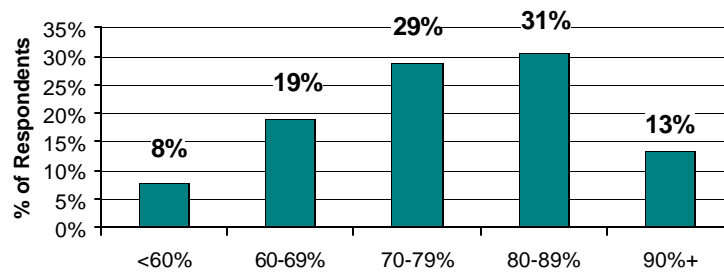
In the spa business, you have to wear many hats and deal with many different types of clients. You will be called upon to be psychiatrist, healer, teacher and chemist. Clients seek appearance changes in their life from the outside in or the inside out. Clients may feel anxious or stressed about making change. Such anxiety is not beneficial if you want to sell them more products and services. It is critical to be sensitive to your client's needs, as this will set the stage for effective and profitable retailing.

A great way to generate new ideas and sales is to see what other spas are doing. This report will help you achieve this goal through the research that has been completed on spas around the world. The key to getting clients to spend their hard-earned money in your spa is not only to meet their needs and desires but by creating an environment that offers the products and services to enrich their lives.

What percentage of your gross sales comes from services?

- 60% of respondents generate between 70-90% of sales from services while 92% generate 60% or more of their sales from services
- 27% generate less than 70% of gross sales from services
- Only 13% responded that over 90% of sales are from services

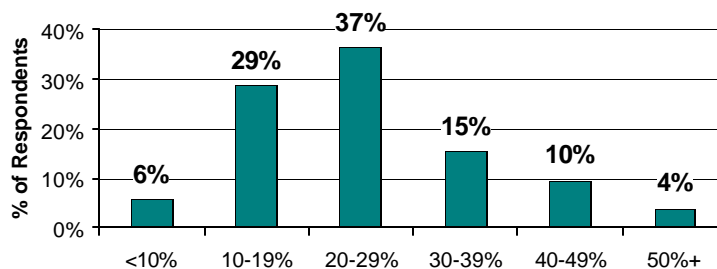
Average Percentage of Gross Sales Generated by Services



What percentage of your gross sales comes from retail sales?

- 72% of respondents generate less than 30% of their sales from retail sales
- Two out of three spas realize between 10-29% of sales from retail products

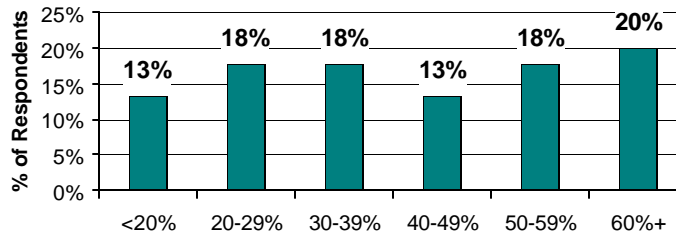
Average Percentage of Gross Sales Generated by Retail Sales



What percentage of gross sales comes from esthetic services?

- There was high diversity of responses regarding esthetic sales as a percent of total sales
- Responses were virtually evenly distributed between 20% and 60% of sales?

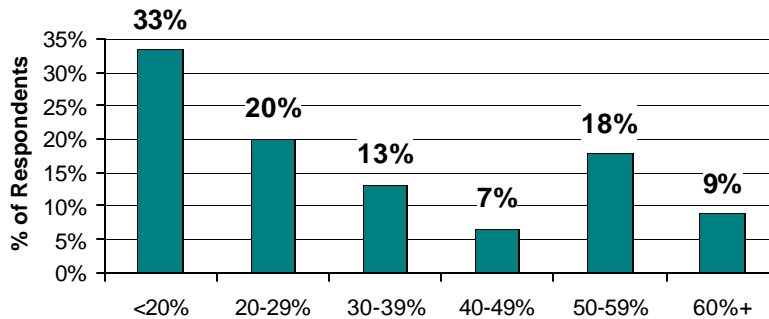
Percentage of Gross Sales from Esthetic Services



What percentage of gross sales comes from body therapy services?

- One third of responding spas generate less than 20% of sales from body therapy services
- Over 25%, however, generate 50% or more from body therapy services
- Almost 60% of respondent fall between 20% and 50% of sales from body therapy services

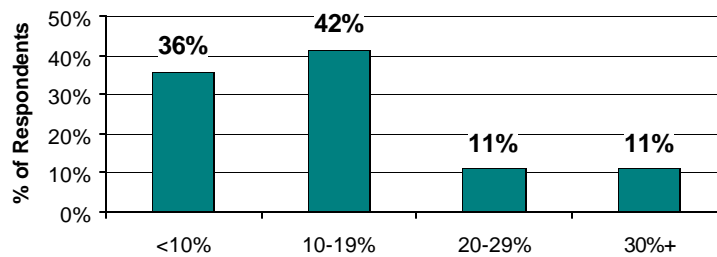
Percentage of Gross Sales from Body Therapy Services



What percentage of gross sales comes from nail care services?

- Almost 80% of respondents generate less than 20% of sales from nail services
- In fact, more than one-in-three spas realize less than 10% of sales from nail services
- Only 11% see 30% or more of sales from nail services

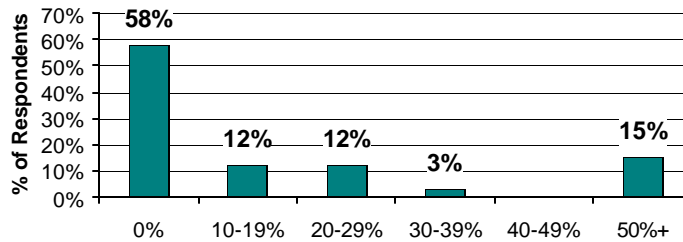
Percentage of Gross Sales from Nail Care Services



What percentage of gross sales comes from hair care services?

- Over half of respondents realize no hair care sales in their spa
- 15% reported that over half of sales come from hair services while the balance of spas fall between 10-39%

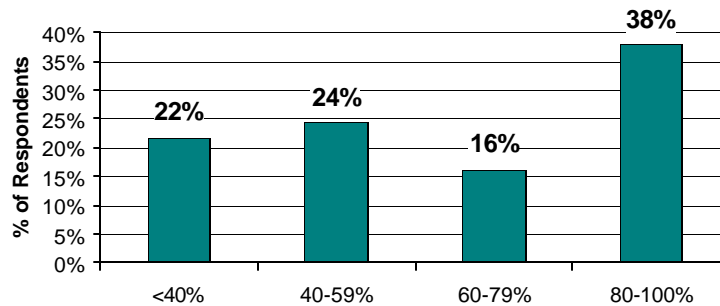
Percentage of Gross Sales from Hair Care Services



What percentage of services is rendered a la carte?

- Almost 40% of spas reported that 80% or more of their services are rendered a la carte
- 22%, however, indicated that less than 40% of their services were a la carte, suggesting reliance on package deals

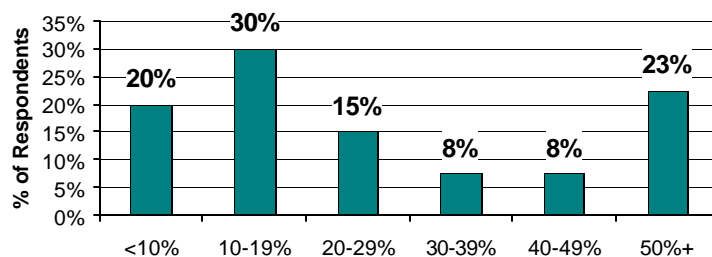
Percentage of Services Rendered a la carte



What percentage of services is rendered as a package?

- Almost one-quarter of respondents deliver 50% or more of their services as a package deal
- One-half of spas, however, render less than 30% of services via packages

Percentage of Services Rendered as a Package Deals



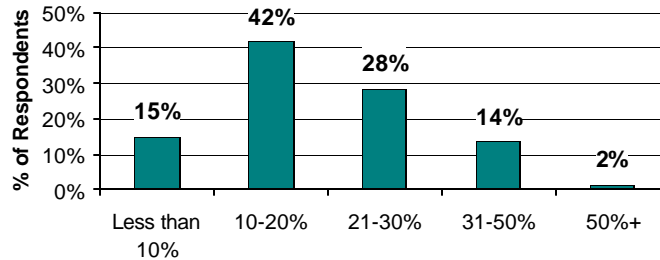
About Your Clients

A day spa client is typically someone seeking to take better care of himself or herself. In addition, the aging population is looking to improve appearance and preserve their health. Knowing your client profile will enhance your service offerings and marketing efforts.

What percentage of your clientele is male?

- Most spas reported that males represent 10-20% of their clientele
- Less than one-in-five spas report more than 30% of their business as male clientele

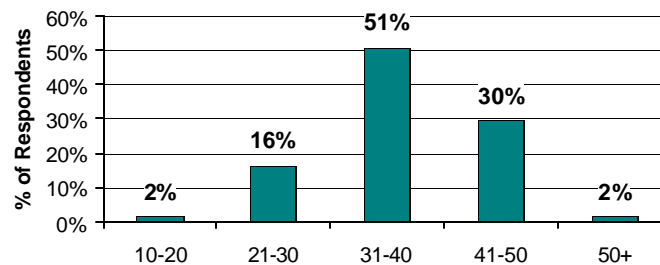
Percentage of Clientele that is Male



What is the average age of your male clients?

- A majority of spas report male clients of 31-40 years old
- Almost 85% of male clients are over 30 years old

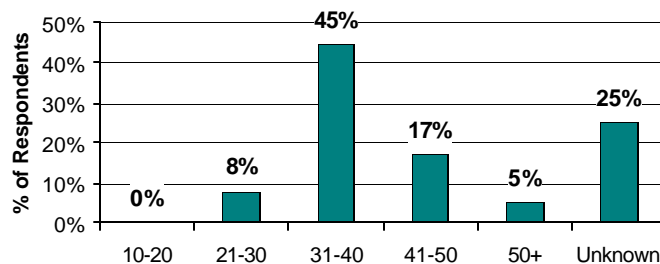
Average Age of Male Clientele



What is the average age of your female clients?

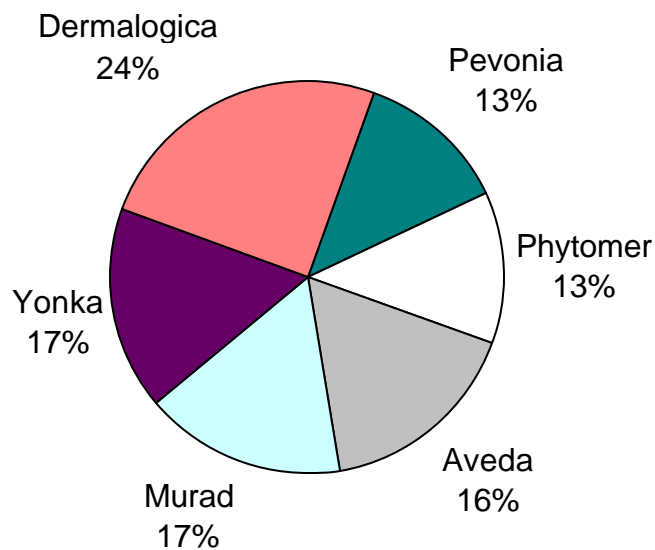
- A majority of spas report female clients of 31-40 years old
- Almost 50% of male clients are over 40 years old

Average Age of Female Clients



What type of products do you retail?

- Among the Top 6 products retailed by spas, Dermalogica is the top line (24%)
- Yonka (17%), Murad (17%), and Aveda (16%) appear to be sold in equal amounts after Dermalogica
- Pevonia and Phytomer round out the top six product lines and are sold in relatively equal amounts (13% each)

The Top Six Products Retailed by Spas

About Your Marketing

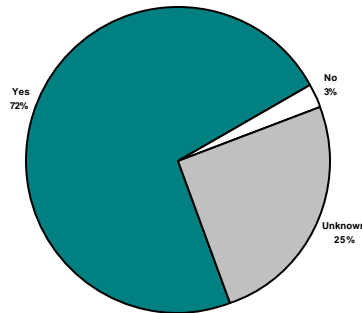
Marketing is the most important factor a spa owner will face if the business will be successful and prosper. Marketing drives business. It steers your spa in the right direction and keeps the spa from getting off track. A spa owner cannot do business and survive in today's marketplace unless it practices good marketing efforts and principles. Marketing is not a concept only for big business, but is also vital to the small, one-person spa owner.

Your marketing plan will include goals and objectives, which can be derived from the overall business plan. As a spa owner or spa manager, marketing is your responsibility. Marketing communications are those devices that further your marketing objectives by providing information to your customers and prospects. Your marketing communications are what your customers see first – therefore it is extremely useful to see what works for other spas.

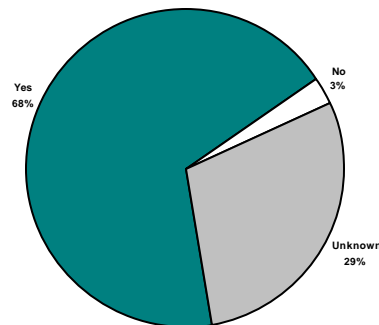
Do you offer incentive pricing on purchases?

- Incentive pricing appears to be a popular marketing technique to increase business
- 72% of spas/salons offer incentive pricing for treatment series.
- Slightly less, but still a significant amount (68%) offer incentive pricing for spa packages

Incentive Pricing for Treatment Series



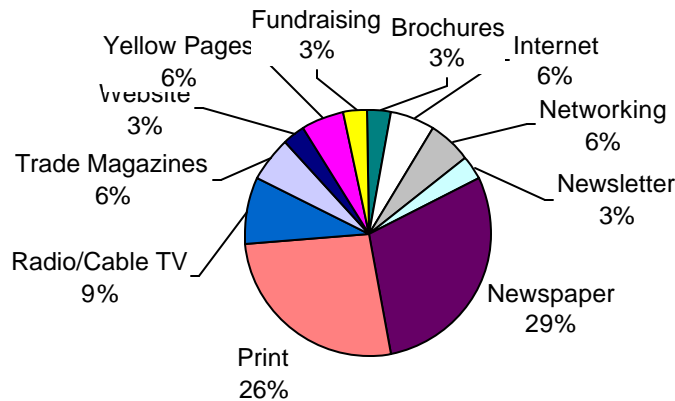
Incentive Pricing for Spa Packages



What types of advertising and promotion do you use?

- Traditional advertising mediums of newspaper, print (including trade magazines), radio/TV ads, and yellow page ads dominate spa promotions
 - 76% of marketing occurs through these mediums
- 24% of advertising and promotions are split fairly evenly among all other mediums

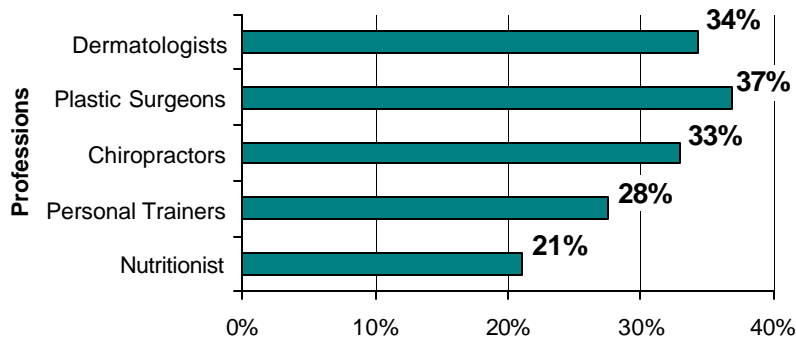
What Type of Advertising and Promotion Do You Use?



Do you have reciprocal referral relationships?

- Spas/salons are beginning to have reciprocal referral relationships with other professionals
- These percentages will most likely grow as the spa/salon industry becomes a more popular alternative treatment for many individuals
- Plastic surgeons share the highest reciprocal referral relationship with 37%.
- Dermatologist and Chiropractors are close behind with 34% and 33% respectively

Reciprocal Referral Relationships



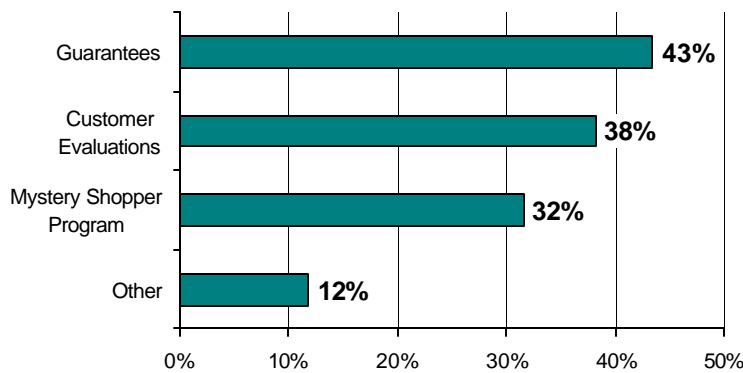
About Your Customer Service and Quality Assurance

Although marketing has a strong focus on products and sales, the customer is seen as the most important part of the business. No longer should a product be forced to fit the customer. Rather, the process consists of determining the customer’s needs and then sculpting the product mix to meet their particular needs. Every aspect of the business is viewed through the eyes of the customer.

Spas should have an emphasis on quality and only the customer determines this. Only the customer can decide whether he or she has received value for their money. As a spa owner or manager, you can know what your customer’s wants and needs are simply by asking.

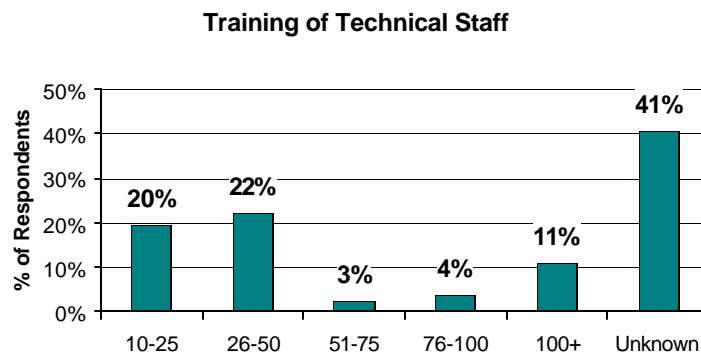
What type of customer satisfaction tools do you employ?

- Less than half of spas/salons offer a guarantee for their services
- Fewer give customer evaluations (38%) or the mystery shopper program (32%)



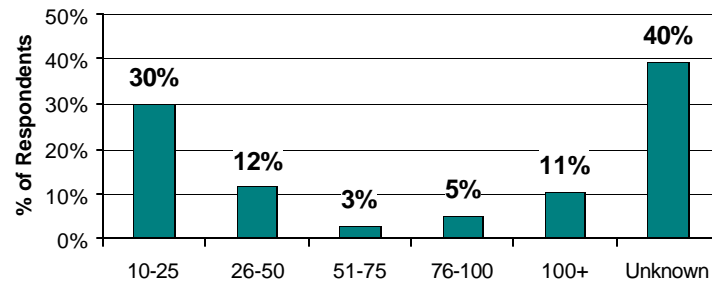
What is the approximate number of hours of training provided to staff members per year?

- Many spas/salons are not aware of the training their technical staff receives (41%)
- Outside this unknown area, most spas/salons offer between 26-50 hours of training for their technical staff



- Many spas/salons are not aware of the training their support staff receives (40%)
- As expected, a higher percentage (30%) is offered training for their support staff

Training of Support Staff



About Your Future

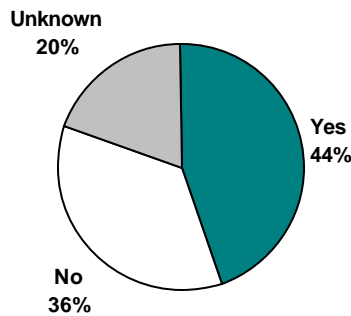
The future of any spa depends on a number of external factors. The state of the economy plays a large part in determining whether your prospects will be willing to part with the sums of money you charge for your services. In addition, trends in fashion and advances in technology also play major roles.

It is necessary to be aware of the various efforts and growth plans of other spas in your area – this will help you remain competitive. These are the forces that shape your ability to remain ahead and successful.

Do you have plans to expand your facility in the next year?

- Many spas/salons plan to expand their facility within the next year (44%)

Are you Planning to Expand your Facility in the Next Year?



In Conclusion

Without a doubt, the successful day spa will be a facility where ongoing training, activity, growth, product expansion and testing and employee concern are constantly taking place. The spa may struggle in the first few years, but will exceed expectations as it gets to know its clients and its employees. Constant attention, inventory control, marketing and employee satisfaction will increase the likelihood of a profitable and enjoyable business venture.

Your business must have a stable, well-planned base from which to grow. Education of your staff is ongoing and key to maintaining momentum. This continuous education effort will keep employees at the top of their field and will encourage the same care that you insist on for your clients.

Appendix
