

LEADING SPAS OF CANADA

Global Spa Summit New York - 2007

The Canadian Spa Industry



The Canadian Spa Industry

TODAY'S AGENDA

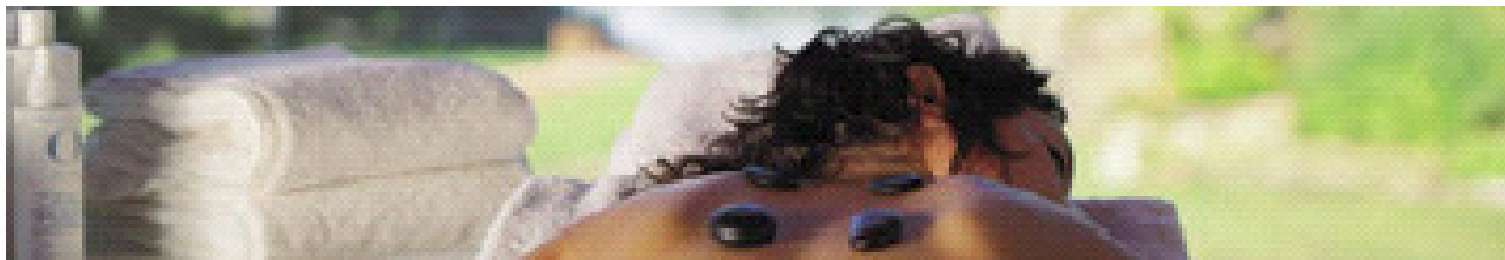
- Spa Industry Associations (Brief)
- Research Highlights – Consumer (Brief)
2006 Canadian Spa Consumer Attitudes & Motivators
- Research Highlights – Industry Sector (Focus)
2006 Spa, Health & Wellness Sector

The Canadian Spa Industry

Spa Industry Associations With a Canadian Spa Presence

- International: ISPA (International Spa Association)
- National: Leading Spas of Canada
- Provincial: Ontario (2) Quebec (1)

*Identifying the Spa Traveler:
A look at US & Canadian Consumer Attitudes
and Motivators for Spa Vacations (2006)*



Developed in Partnership by the
Canadian Tourism Commission & The International Spa
Association

Prepared by: The Hartman Group

CANADIAN
TOURISM
COMMISSION



COMMISSION
CANADIENNE
DU TOURISME



Full PDF Copy of The Consumer Report

- http://www.corporate.canada.travel/docs/research_and_statistics/product_knowledge/Identifying_the_Spa_Traveler_2006.pdf

An Overview of the Study:

- Canada and US are virtually the same so they are presented as one finding.
- 2,001 Canadian adult consumers were surveyed
- A second sample of 1,909 Canadian spa-goers were surveyed via an online questionnaire.
- The results have solid Canadian representation
- In the Canadian sample, 463 spa travelers indicated taking a spa vacation in the past two years.

Overview of the Spa-Going Consumer Population:

Have You Ever Visited a Spa?

- 25% of the population, 18 & over, have been to a spa (26% US)
- 58% of them have visited a spa in the past 12 months (57% US)
- Active spa-goers represent 3.7 million Canadian consumers (32.2 million US)

The balance of this part of the presentation only includes those who have been to a spa in the past year

In the past 12 months, Which Types of Spas Have You Visited?

- **Day Spa – 76%**
- **Resort/Hotel Spa – 48%**
- Cruise Ship Spa – 10%
- Club Spa* – 18%
- Destination Spa – 13%
- Mineral Springs Spa – 13%
- Medical Spa – 20%

*Club Spa: Primary purpose is fitness but offers a variety of professionally administered spa services and products.

Overview of the Spa-Going Consumer Population:

Which Services Have You Experienced in the Past Year?

- **Full Body Massage – 69% (84% US)**
- **Manicure or Pedicure – 53%**
- **Facial – 50%**
- Movement Classes – 23%
(Includes Yoga, Pilates, etc.)
- Body Scrub or Wrap – 19%
- Aromatherapy – 21%
- Lifestyle Classes – 12% (6% US)
(Includes Nutritional Counseling, Cooking Classes, Journaling, etc.)
- Hydrotherapy Treatment – 11%
- Mind/Body Experiences – 10% (5% US)
(Includes Guided Meditation, Reiki, Chakra Alignment, etc.)

Tenure of Spa Use

Going to spas for at least 3 years:

- 71% of US spa-goers
- 57% of Canadian spa-goers

In their 1st year of going to spas:

- 15% of US spa-goers
- 26% of Canadian spa-goers

How Long Have You Been Visiting Spas?

- **1st Time = 16% (.6 million)**
- **Less than 6 months = 4% (.1 million)**
- **6 – 12 Months = 6% (.2 million)**
- **1 – 2 Years = 17% (.6 million)**
- **3 – 5 Years = 25% (.9 million)**
- **6 – 8 Years = 13% (.5 million)**
- **9 – 12 Years = 9% (.3 million)**
- **13 – 20 Years = 5% (.2 million)**
- **More than 20 Years = 5% (.2 million)**

The Spa Traveler

Table 3
Demographic Differences between Spa-Goers Who Visit Spas While Traveling and Those Who Do Not

	U.S. Respondent		Canadian Respondent	
	Other spa-goer	Spa traveler	Other spa-goer	Spa traveler
Gender				
Female	77%	64%	77%	64%
Male	23%	36%	23%	36%
Age				
18 - 34	33%	28%	28%	31%
35 - 44	21%	23%	22%	27%
45 and over	46%	49%	50%	41%
Marital Status				
Married	61%	60%	51%	51%
Single	19%	19%	16%	20%
In a committed relationship	13%	12%	16%	16%
Separated/Divorced	6%	6%	12%	10%
Widowed	1%	3%	5%	2%
Households with Children, Aged 13-19, that Go to Spas				
(among those with females 13-19)	52%*	70%**	48%**	64%**
(among those with males 13-19)	7%*	45%**	21%**	40%**

*Extremely small sample (<70)

**Small sample (<150)

Note: Shading indicates statistically significant differences

Sources: U.S. results based on 1707 (627 other spa-goer, 1080 traveler) respondents; Canadian results based on 1909 (982 other spa-goer, 927 traveler) respondents.

The Spa Traveler

Table 3 (continued)
Demographic Differences between Spa-Goers Who Visit Spas While Traveling and Those Who Do Not

	U.S. Respondent		Canadian Respondent	
	Other spa-goer	Traveler	Other spa-goer	Traveler
Education				
No high school degree	<1%	<1%	2%	2%
High school graduate	3%	3%	18%	9%
Some college	23%	11%	24%	20%
College graduate	35%	43%	36%	41%
Some graduate school	10%	10%	6%	9%
Post graduate degree	29%	33%	13%	20%
Annual household income (in currency of respondent's country)				
Under \$25K	5%	2%	10%	7%
\$25K-\$34K	12%	2%	11%	10%
\$35K-\$49K	6%	6%	17%	13%
\$50K-\$74K	17%	19%	23%	19%
\$75K-\$99K	22%	23%	18%	19%
\$100K-\$149K	25%	28%	14%	20%
\$150-\$199K	9%	10%	4%	7%
\$200K +	5%	9%	2%	5%

Note: Shading indicates statistically significant differences

Sources: U.S. results based on 1707 (627 other spa-goer, 1080 spa traveler) respondents; Canadian results based on 1909 (982 other spa-goer, 927 spa traveler) respondents.

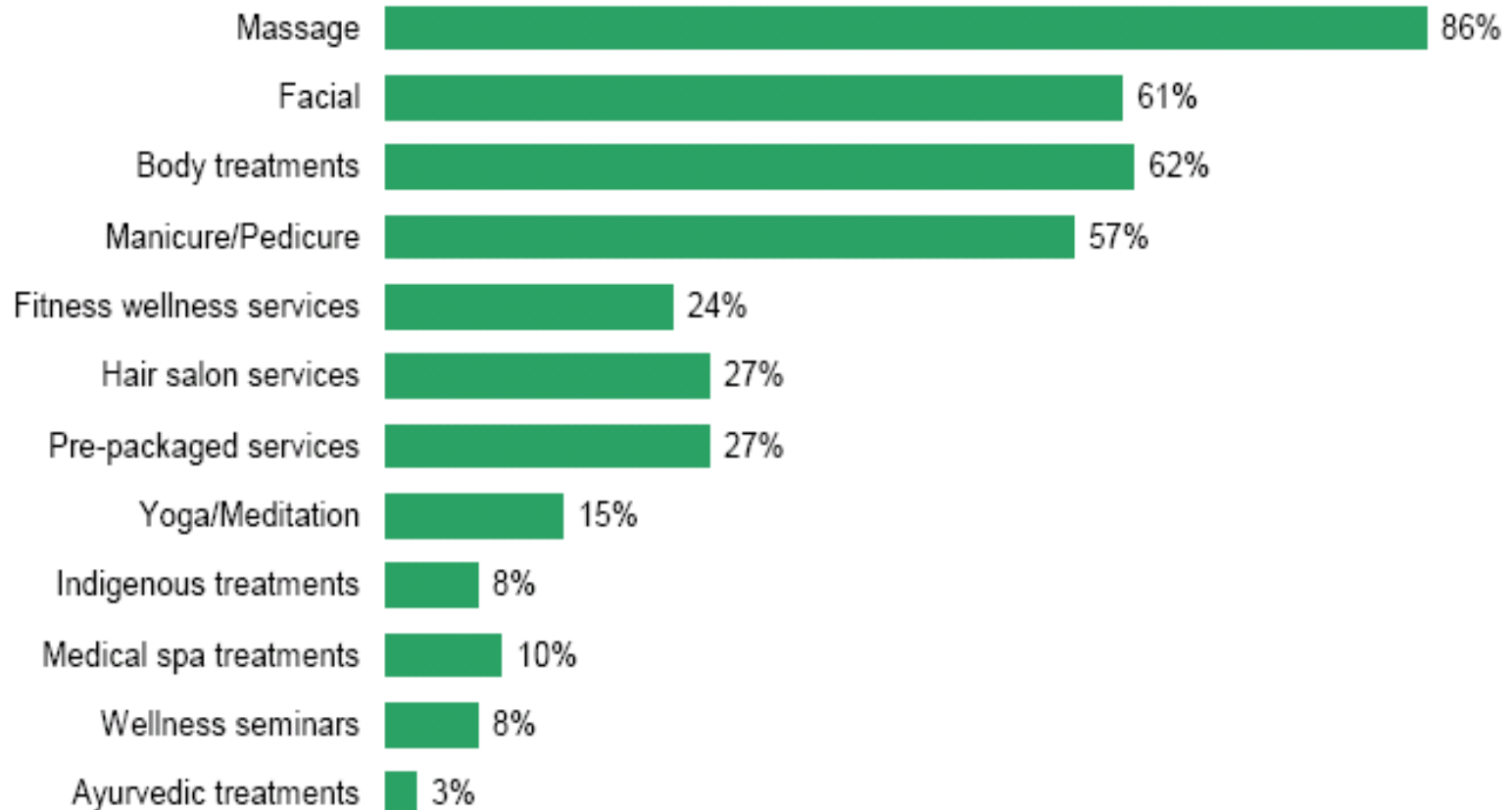
The Spa Traveler

- Believes “You get what you pay for” – cost is secondary
- **The frequency of spa visits while traveling is higher for male spa travelers than it is for their female counterparts.**
- 73% of Canadian spa travelers go to resort/hotel spas
- 37% go to day spas near the place they are staying.
- 22% go to Destination spas; 19% Mineral Spring spas
- The two predominant factors when planning a spa vacation are: desired destination and the idea of a certain type of spa experience.
- 41% of Canadian spa travelers purchased their spa vacation as a part of a package. (Accommodations, air fare, etc.)

The Spa Traveler

Which Spa Treatments Do You Usually Seek/Purchase When on a Spa Vacation?

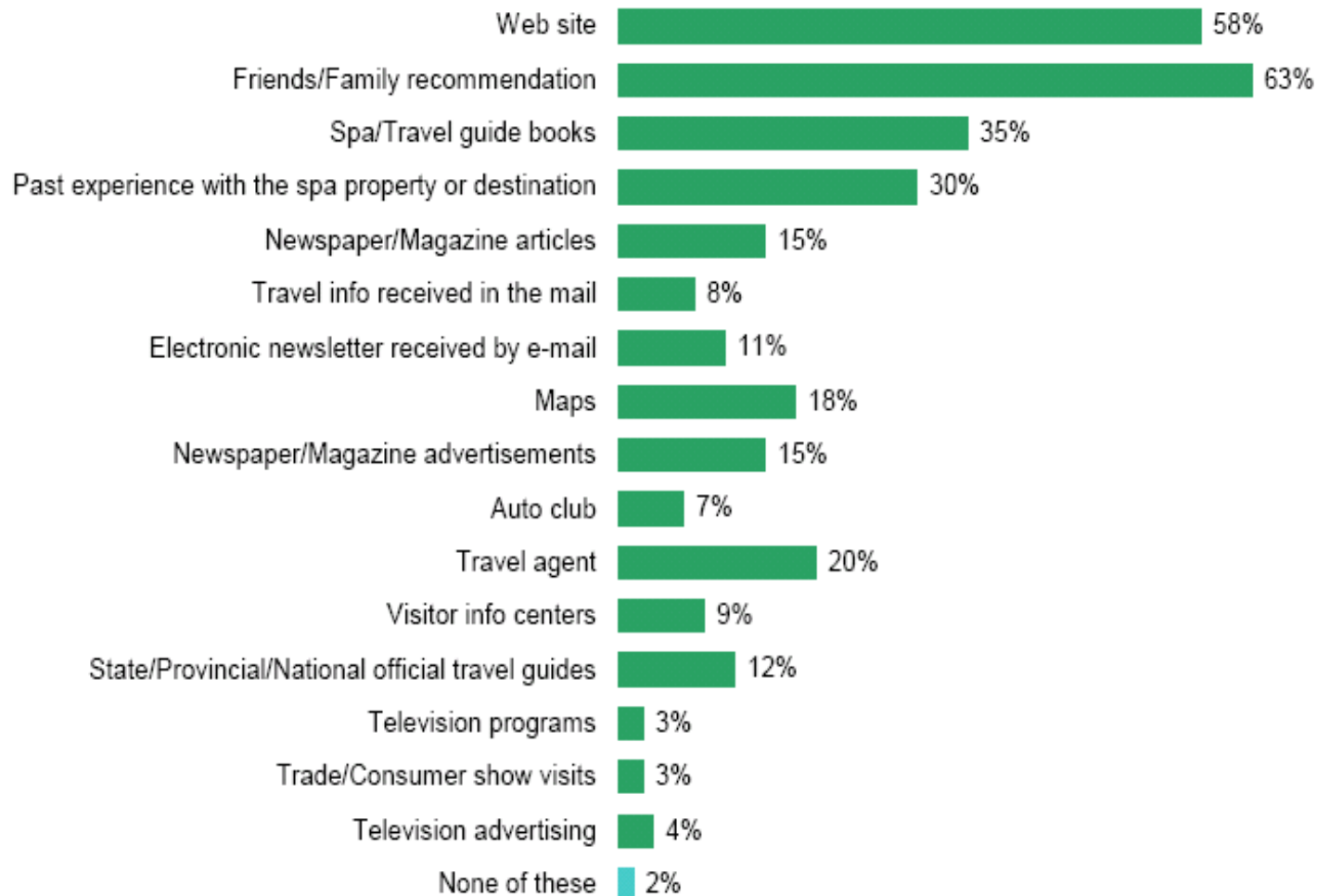
Canadian Respondents



The Spa Traveler

Information Sources Used To Plan Spa Vacations During the Past 2 Years:

Canadian Respondents



The Spa Traveler

Preferred Destination(s) for a future Spa Vacation within the next 2 years?

Canada	(45% Canadians; 15% Americans)
Mexico/Caribbean	(39% Canadian; 31% Americans)
USA	(30% Canadians; 68% Americans)
Europe	(24% Canadians; 25% Americans)
Asia	(12% Canadians; 10% Americans)
Other	(4% Canadians; 3% Americans)
Not planning in the next two years	(8% Canadians; 6% Americans)

Top Five Most Important Conditions When Choosing a Spa Vacation:

1. Accommodations
2. Available spa facilities/treatments/accommodations that meet my personal and/or budgetary needs
3. Cost/Value for dollar
4. Affordable destination
5. Spa treatments

The Spa Traveler

What Time of Year Did you take your spa vacation in the past 2 years?

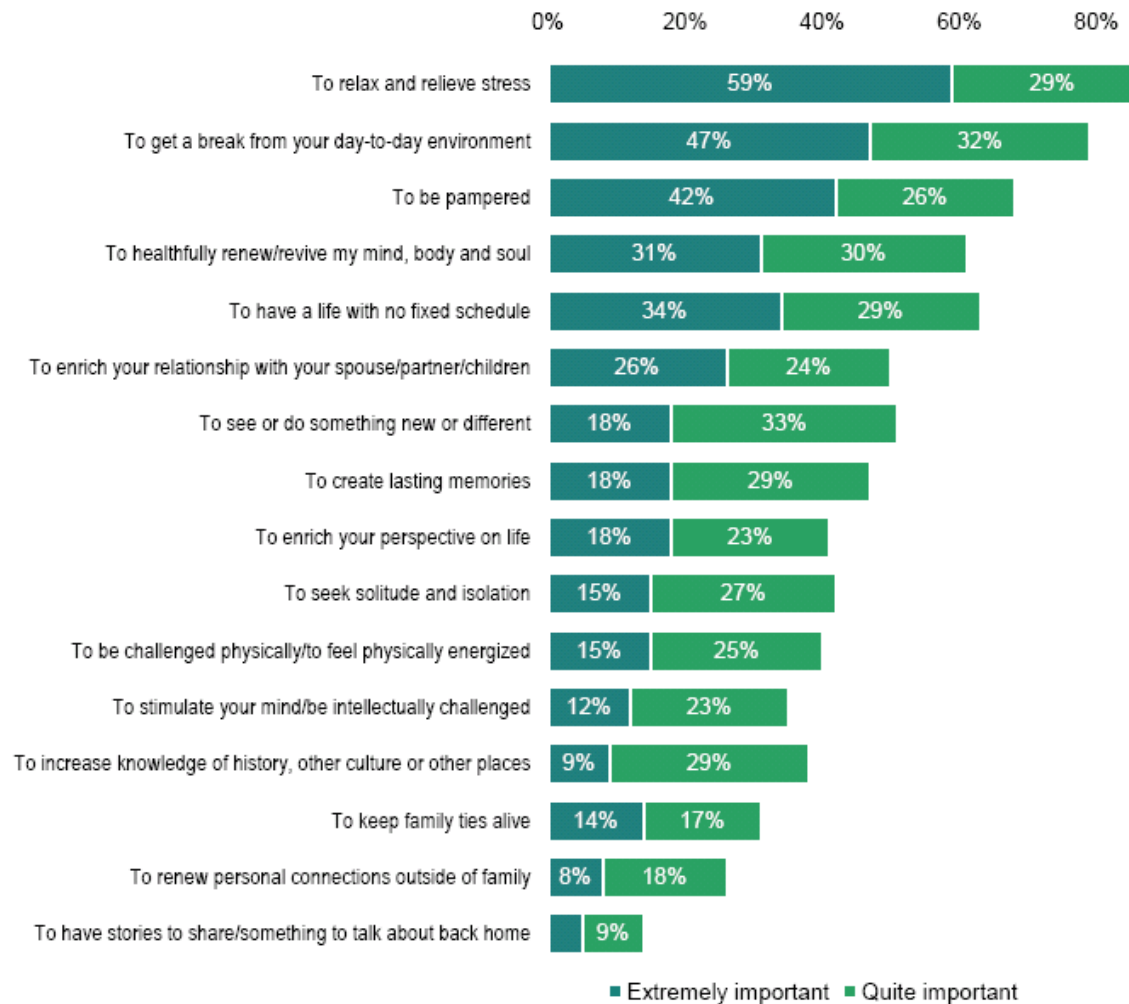
1. Summer (40%)
2. Winter (40%)
3. Spring (38%)
4. Fall (36%)

Top 7 Concerns While Experiencing Spa Treatments on Vacation:

1. Quality of treatment/service
2. Cost of service
3. Hygiene of staff and cleanliness of spa facilities
4. Benefits of treatments
5. Certification/Training of personnel performing treatments
6. Comforts provided such as ambience
7. Quality of customer service

How Important are the Following Benefits to You When on a Spa Travel?

Canadian Respondents



*The Canadian 2006
Spa, Health & Wellness Industry Sector Study*



*Developed by the
Canadian Tourism Commission
Prepared by: Association Research Centre Inc.*

In partnership with:

*Tourism British Columbia, Alberta Economic Development, Travel Manitoba,
Ontario Ministry of Tourism, Tourism Québec, Spas Relais Santé,
Economic Development Canada-Québec, Atlantic Canada Opportunities
Agency, Premier Spas of Ontario & Leading Spas of Canada*

[Full PDF Copy of The Industry Sector Report](#)

- Direct Link not available at time of writing
– please check for all CTC spa studies at:
- http://www.corporate.canada.travel/en/ca/research_statistics/productknowledge/product_research/product_research.html

An Overview of the Study:

- Prior to this study, any profiles of the Canadian industry have come with significant data limitations due to small sample sizes available for Canada.
- This study looks at several key measures of the spa industry including:
 - Spa Locations
 - Revenues
 - Employment
 - Spa Visits
 - Square Footage
 - How Fast the Industry is Growing
 - Tourism and the Canadian Spa Industry
 - Key Trends in the Industry

The Canadian Spa Industry

The Size of the Canadian Spa Industry

- Approximately 2,500 spas in Canada (per ISPA's definition of a spa)
- Most spas per capita = Ontario & British Columbia
- Share of spas lower than share of population = Quebec & the Prairies
- **Ontario + British Columbia + Quebec + Alberta = 91% of CDN spas**

Geographic Distribution:

- Territories 0.2%
- **British Columbia 18%**
- **Alberta 12%**
- Prairies (Saskatchewan/Manitoba) 3%
- **Ontario 44%**
- **Quebec 17%**
- Atlantic* 6%

* Since 2003, Atlantic Canada has been the fastest growing region in Canada.
(29% Average Annual Growth).

The Canadian Spa Industry

Spa Establishments in Canada by Type

- **Day Spas – 74%**
- Resort/Hotel Spas – 19%
- Medical Spas – 3%
- Destination Spas – 2%
- Club Spas – 2%
- Mineral Springs Spas – 0.2% (5 Spas)

Total Industry Employment in Canada = 26,000

- Full-time Employees – 60% (15,500)
- Part-time Employees – 25% (6,500)
- Contract Employees – 15% (3,900)

The Canadian Spa Industry

Regional Distribution of Spa Revenues in Canada:

- **Annual Industry Revenue = \$1 Billion**
- **Ontario + Quebec + British Columbia + Alberta = 94% of total revenue**

Regional Distribution:

- **British Columbia – 16% (\$155 million)**
- **Alberta – 10% (\$104 million)**
- **Prairies – 2% (\$18 million)**
- **Ontario – 47% (\$464 million)**
- **Quebec – 21% (\$214 million)**
- **Atlantic – 4% (\$42 million)**

By Type:

- **Day Spa – 64% (\$654 million) (74% of locations)**
- **Resort/Hotel – 24% (\$245 million) (19% of locations)**
- **Medical – 2% (\$22 million)**
- **Others – 10% (\$103 million)**

The Canadian Spa Industry

Number of Spa Visits in Canada in 2005:

- 14.1 million visits in 2005.
- Visitors comprised of 80% Female & 20% Male

Number of Spa Visits in Canada in 2005 by Region:

- Ontario – 50% (7 million) (Higher than its 44% share of spas)
- British Columbia – 18% (2.4 million)
- Quebec – 16% (2.3 million)
- Atlantic – 6% (0.9 million)
- Prairies – 5% (0.7 million)
- Alberta – 5% (0.7 million) (Lower than its 12% share of spas)

The Canadian Spa Industry

Tourism and the Canadian Spa Industry:

“Tourism-oriented spas” are defined as spas that:

Offer health & wellness programs administered by professionally trained medical personnel; have fixed accommodations or accommodations offered through a cooperation agreement with a stand-alone accommodation facility; and/or have tourism visitation that accounts for at least 10% of its gross revenues.

- There are about 800 Tourism-oriented spas in Canada (34% of all spas)

Tourism Orientation of Spas by Region:

- British Columbia – 51%
- Alberta – 23%
- Prairies – 42%
- Ontario – 25%
- Quebec – 47%
- Atlantic – 26%

Growth of the Canadian Spa Industry

Industry Growth – Number of Spas

- Over the last 10 years – average of 17% per year.
- Annual growth ranged from a low of 10% to a high of 24%.
- Cumulatively from 1996 to March 2006 = 329% increase
- The number of spas in Canada has quadrupled since 1996.

Average Annual Growth by Region since 1996:

- Total Growth – 17% (19% for Tourism-oriented spas)
- British Columbia – 19%
- Alberta – 27%
- Prairies – 15%
- Ontario – 18%
- Quebec – 12%
- Atlantic – 21%

Growth of the Canadian Spa Industry

Spa Industry Revenue Growth

- Annual revenue growth = from \$790 million in 2004 to just over \$1 billion in 2005 = 29%
- This strong growth is the **result of strong growth in both the number of spa locations as well as the increase in the average revenue per spa.**
- On a per location basis, spa owners saw a 12% increase in revenue from 2004 to 2005.

Growth in Employment

- Average number of employees per spa has seen little growth.
- **Employment has grown because of the increased numbers of spas**
- Total employment grew 21% from 19,300 in 2004 to 23,300 in 2005
- Per location - 9.8 employees on average in 2004 & 10.2 employees in 2005.

The Canadian Spa Industry

Growth In Consumer Demand

- 19% growth rate in the number of visits from 11.8 million in 2004 to 14.1 million in 2005.
- As long as spas manage to maintain their number of visits despite a growing number of locations, the industry will continue to grow.

Growth of Tourism-Oriented Spas

- Since 1996 the number of tourism-oriented spas in Canada has grown by an average of 19%.
- The growth rate for the first two months of 2006 point to a 15% growth rate for 2006.
- If this growth rate holds, there will be approximately 883 tourism-oriented spas in Canada by the end of 2006 out of over 2,500 spas in total. (35% of all spas)

Industry Trends & Issues

Consumer Trends Experienced in the Past 18 Months:

- More men getting services
- More Couples
- More younger clients
- Increased interest in healthy treatments/well being
- Increased consumer awareness/interest
- Increased interest in Medical spas
- Increased interest in Homeopathic/organic/natural treatments

Retail Trends Experienced in the Past 18 Months:

- An increase in sales/more shopping/spending
- Increased interest in organic/natural products
- People are more informed and aware = higher expectations
- Increased interest in anti-aging/anti-wrinkle products
- Increased interest in medical/health products

Industry Trends & Issues

Spa Tourism Trends:

- The spa tourist is a consumer segment that has yet to come even close to reaching its full potential in Canada.
- In a struggle to differentiate their facilities from those offered by other spa destinations, some facilities are **cross-marketing spa treatments and spa holidays with other types of experiences. (Casinos, wineries, and local attractions = packages).**
- The 2 million spa goers (= **less than 6% of Canada's population**) that live and work in Canada are also seen as a spa tourism segment that has yet to be sufficiently tapped into.

Human Resources Challenges

Human Resources Challenges are by far the number one major issue for the spa industry.

- There are simply not enough qualified professionals.
- The issues are both quantity and quality.

Other Industry Trends & Issues

Legal & Regulatory Trends:

- **National consistent standards and regulations, will be a key challenge** in years to come. Unifying the industry will benefit both individual properties and the Canadian industry as a whole.
- **Changing trends in liability (Risk Management)** are expected to play an increasing role in day-to-day affairs of spa business
- **Increasing depletion of natural resources, such as water**, has the potential to become a serious issue for spa businesses.
- **Unions**, while not common within the spa industry, do exist in a few select Canadian regions. There is some concern, particularly in the case of an economic slowdown in Canada, that “the spa sector could be a logical target.”

Key Conclusions about The Canadian Spa Industry

A number of conclusions and industry implications can be drawn from the study findings:

- Industry growth is strong and steady.
- Saturation is not widespread.
- Day spas are the largest industry segment in terms of number of establishments.
- The potential of Spa Tourism has only slightly been scratched.
- British Columbia and Quebec are the most tourism-oriented regions.
- **Spa Tourism is one of Canada's best kept secrets. The industry needs to "tell its story".**
- **The spa industry needs to recruit qualified human resources.**
- **The Canadian spa industry is here to stay.**

LEADING SPAS OF CANADA

Some Other CDN Spa Studies:

Foreign Competitor Profiles

[http://www.corporate.canada.travel/docs/research_and_statistics/product_knowledge/Spa Health Wellness Sector Foreign Competitor Profile eng.pdf](http://www.corporate.canada.travel/docs/research_and_statistics/product_knowledge/Spa_Health_Wellness_Sector_Foreign_Competitor_Profile_eng.pdf)

Canadian Spa-Goer Research

<http://www.leadingspasofcanada.org/pdf/LSC-ConsumerSurveyReport-2006-Final.pdf>