

# North American Spa Panel: *Making Sense of The Data*

Tuesday, May 20, 2008

## Today's Panelists:

- Sharilyn Abbajay, Secretary/Treasurer
  - *International Spa Association (ISPA)*
- John Fox, Senior Vice President
  - *PKF Consulting*
- Donna Holtom, President
  - *Leading Spas of Canada*



LEADING SPAS OF CANADA



## Moderator:

- Mia Kyricos, Director, Spa
  - *Starwood Hotels & Resorts Worldwide, Inc.*



# The US Spa Industry

Sharilyn Abbajay, Secretary/Treasurer

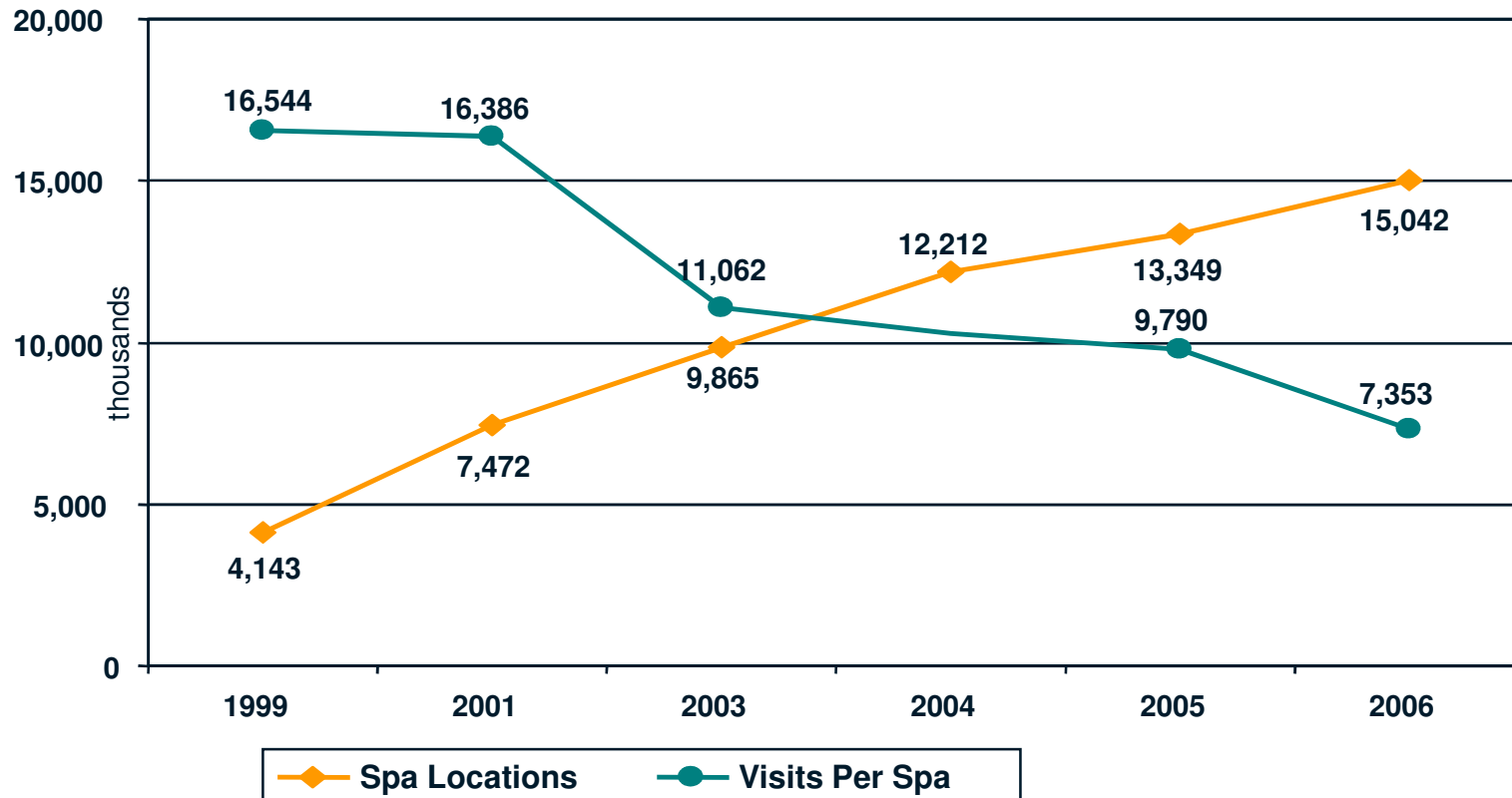


# Overview of ISPA's 2007 Spa Industry Study

- **Study Purpose:** To obtain spa industry data in order to develop a current profile of the industry in North America.
- The **methodology** incorporated three key phases:
  - Development of a comprehensive spa inventory
  - Quantitative survey completed by more than 1,000 spa professionals
  - In-depth executive interviews
- In 2005, ISPA undertook a **census** of the North American spa industry to formally qualify and classify the industry, which utilized a more finite definition of spa than previous studies. This definition was created to research only businesses whose core purpose is spa. The following definition was utilized:
  - **Spa:** An establishment that offers at least two of the following kinds of services (e.g., massage + body treatments; skin care + body treatments)
  - Massage (full-body)
  - Skin care treatments (e.g., facials)
  - Body treatments (e.g., hydrotherapy or body wraps/scrubs)

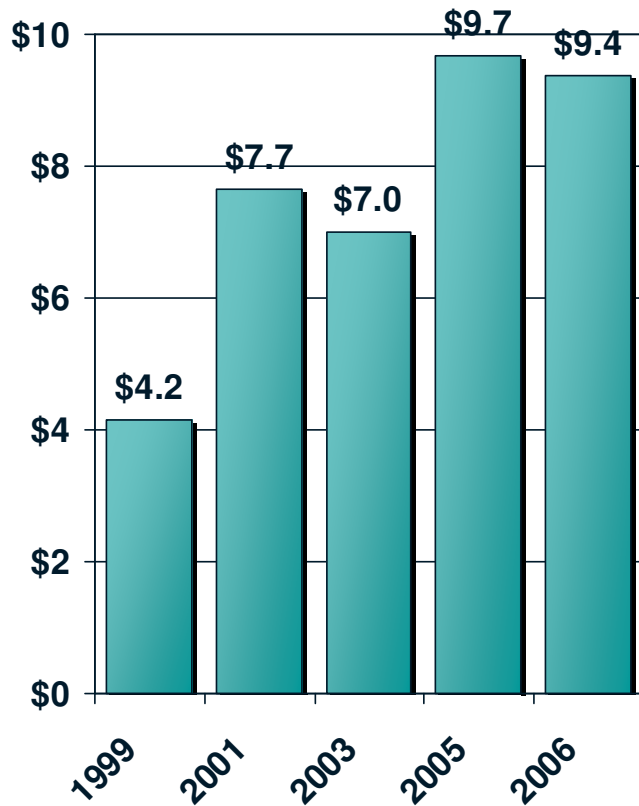


## U.S. Visits per spa vs. Number of spas

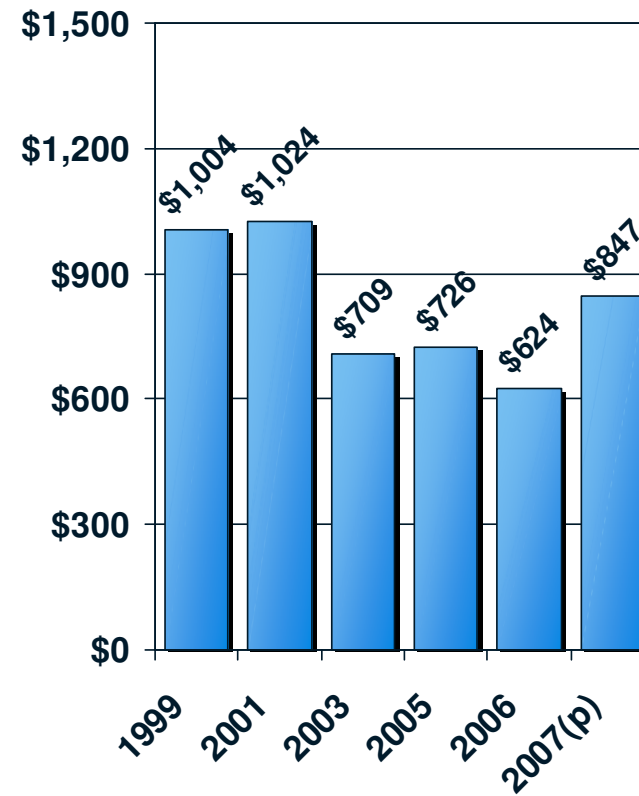


# U.S. Industry Revenues Stable

**Industry Revenue  
(in billions)**



**Revenue Per Spa  
Establishment (in thousands)**

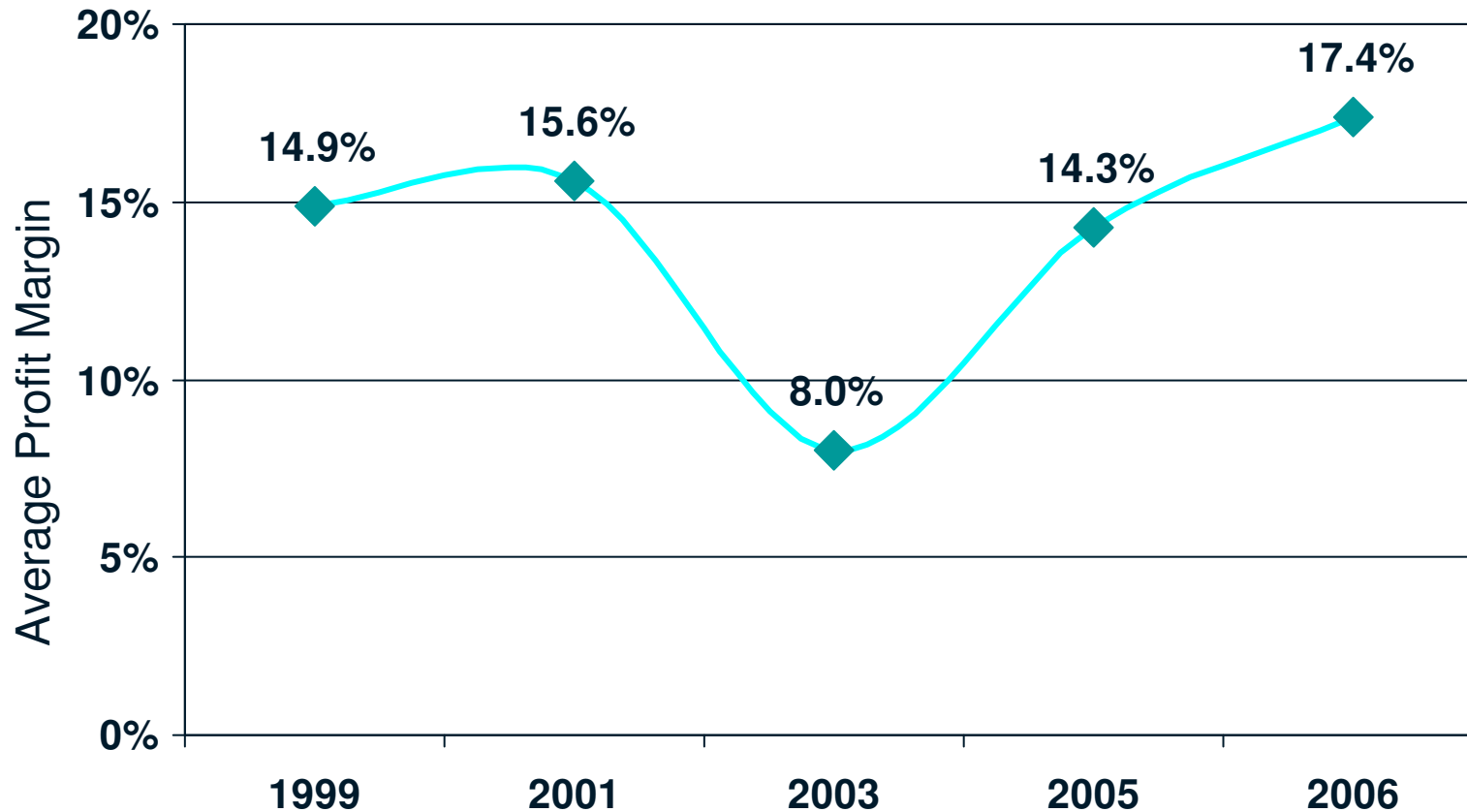


International SPA Association

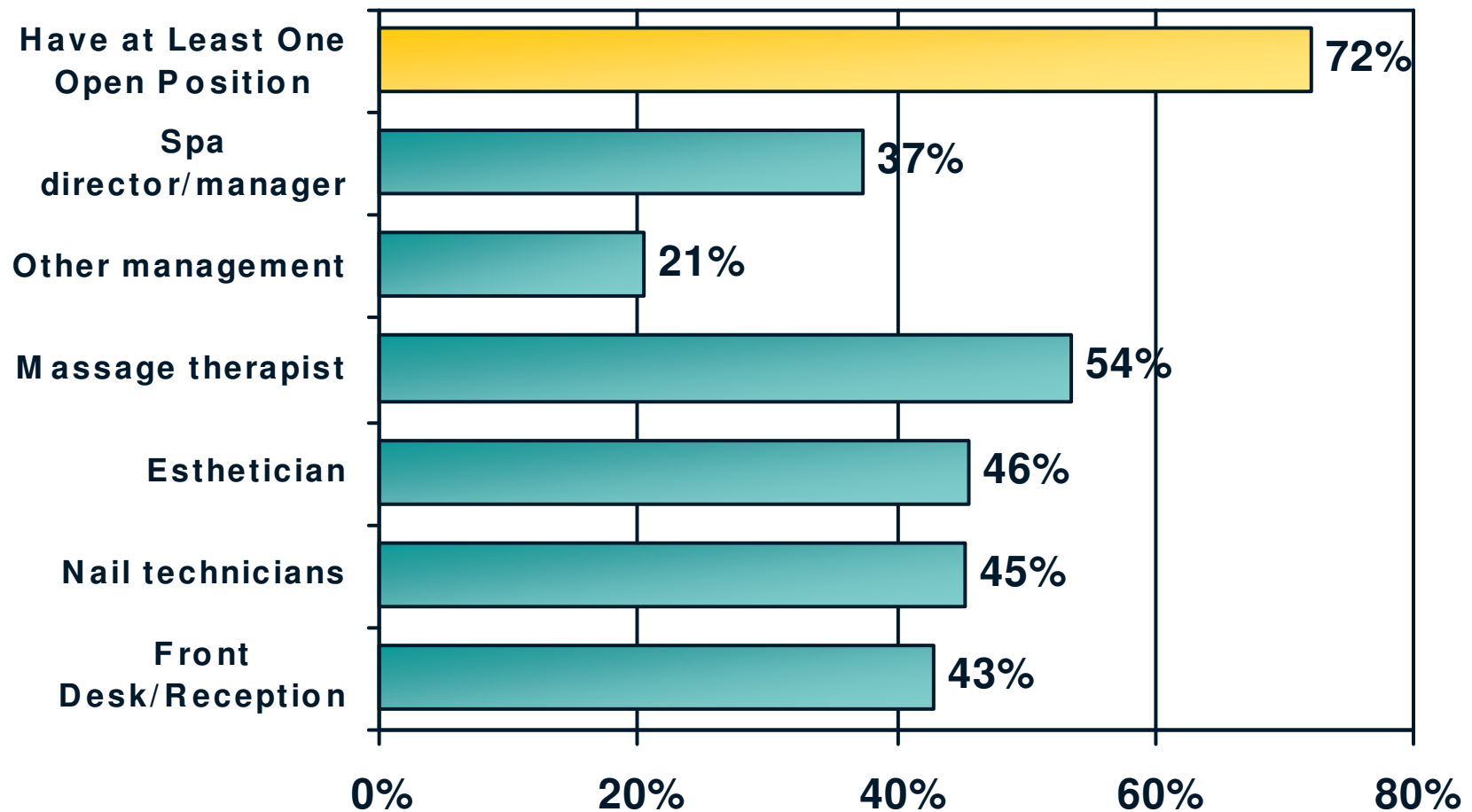
Source: 2007 ISPA Spa Industry Study

Note: The (p) next to 2007 stands for "projected." The 2007 (p) bar represents what owners and managers expect to achieve in 2007.

## Industry Profit Margins – U.S.



## The Majority of U.S. Spas are Seeking New Staff



## What does all of this mean?

- While U.S. spas have found ways to become more efficient and improve the bottom line despite declining per-spa revenue, this can only continue for so long. At some point, the industry needs to find a way to increase the number of spa visits in order to maintain a growth trend.
- The number of open staff positions within the U.S. spa industry is also a significant issue that needs to be addressed.
- When looking at overall spa industry numbers, it is important to keep in mind that day spas make up the lions share of the U.S. industry. When looking at individual segments, we are seeing increases in other areas such as resort/hotel and medical spas.
- Other countries are seeing incredible growth in the spa community. These countries can use the benchmarking data on the U.S. spa industry to foster their own sustainable growth of the industry as a whole.



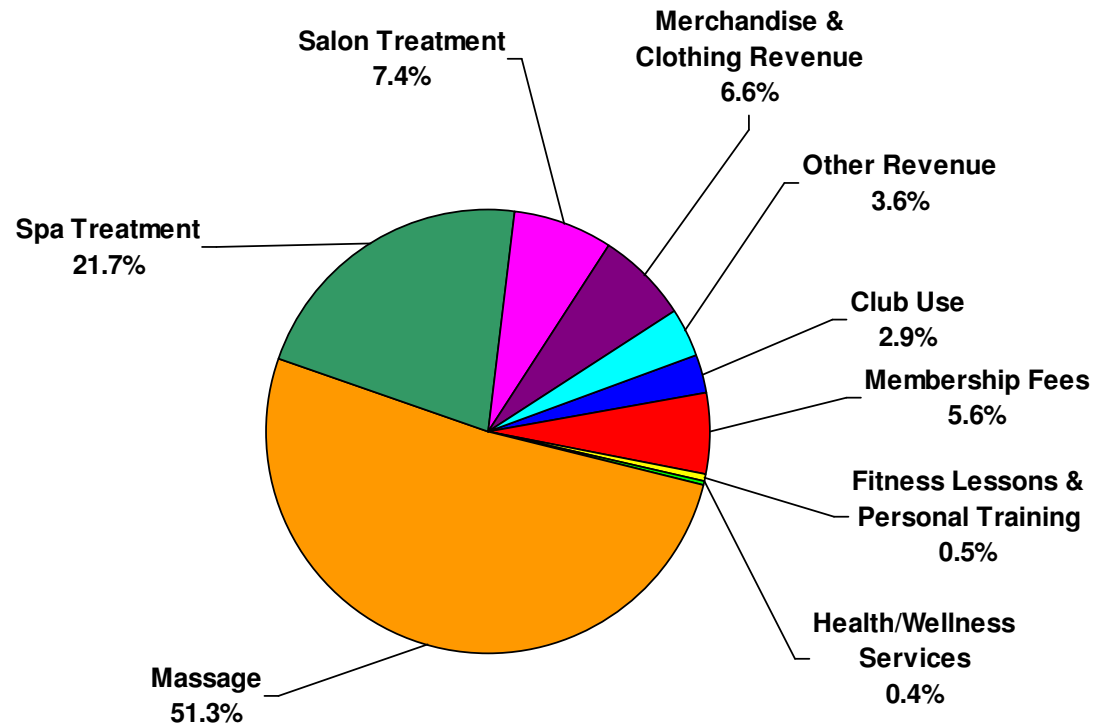
# The US Hotel Spa Industry

John Fox, Senior Vice President



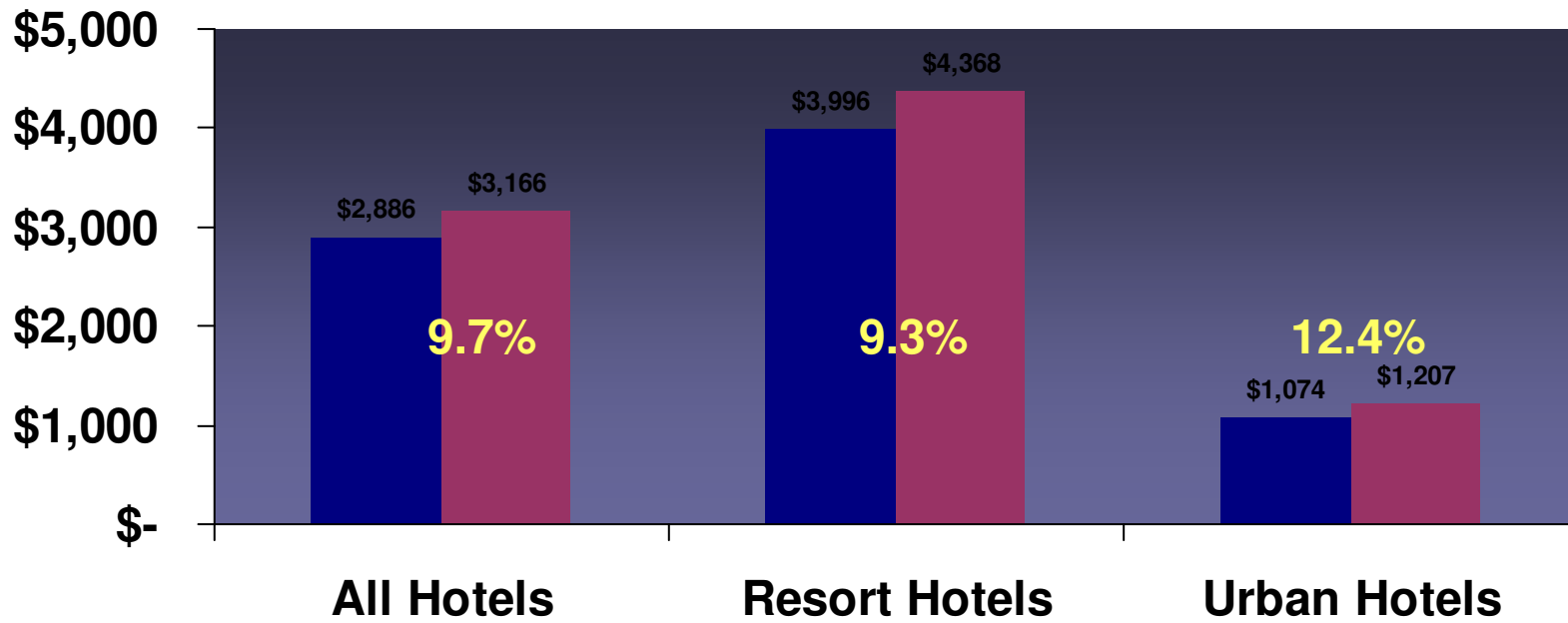
# MIX OF REVENUES

## All Hotels – Spa Department 2006



# HOTEL SPA REVENUE

## By Property Type



■ 2005 Dollars Per Available Room  
■ 2006 Dollars Per Available Room

# HOTEL SPA REVENUE

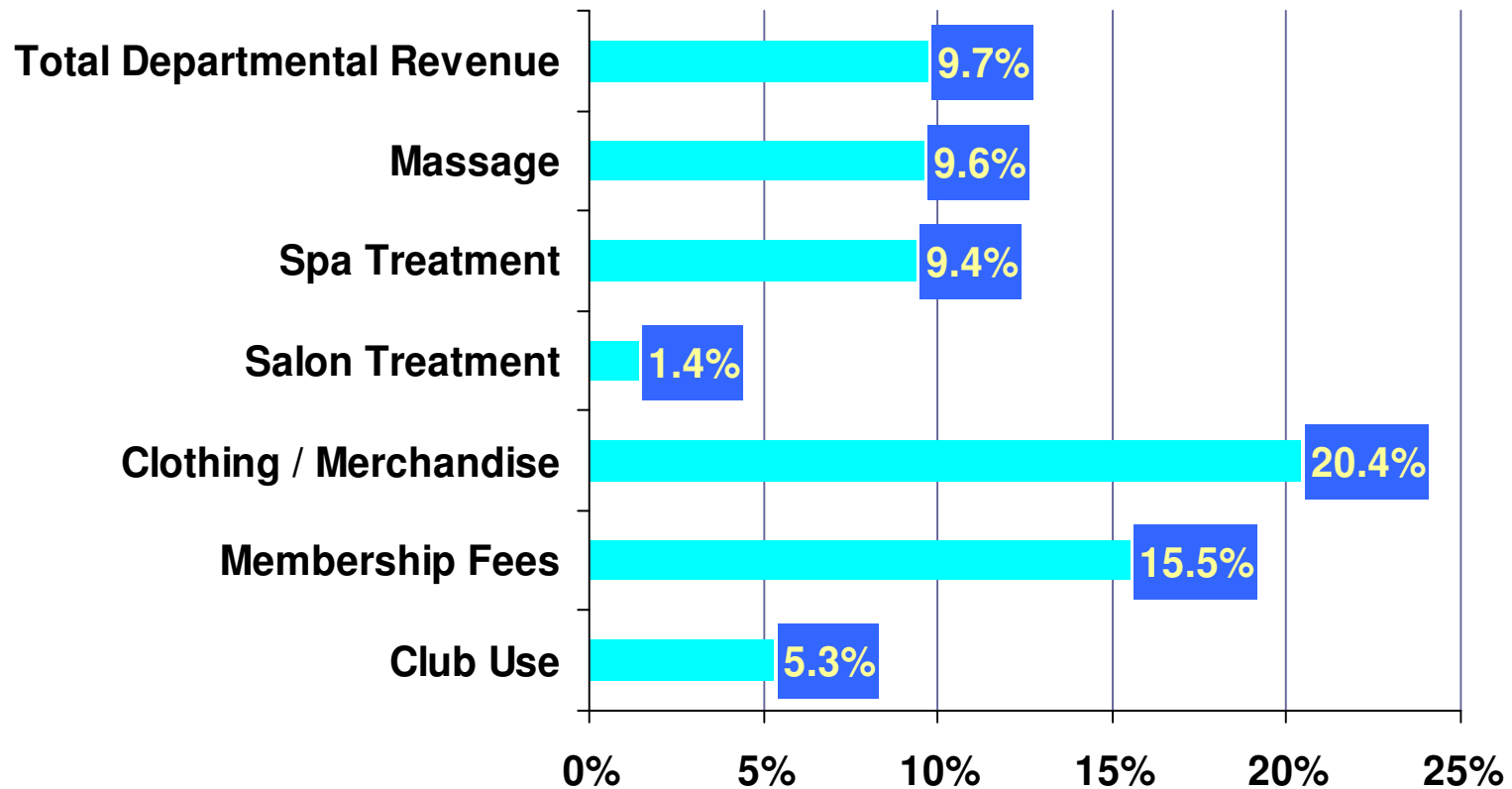
By Property Type

Dollars Per Occupied Room



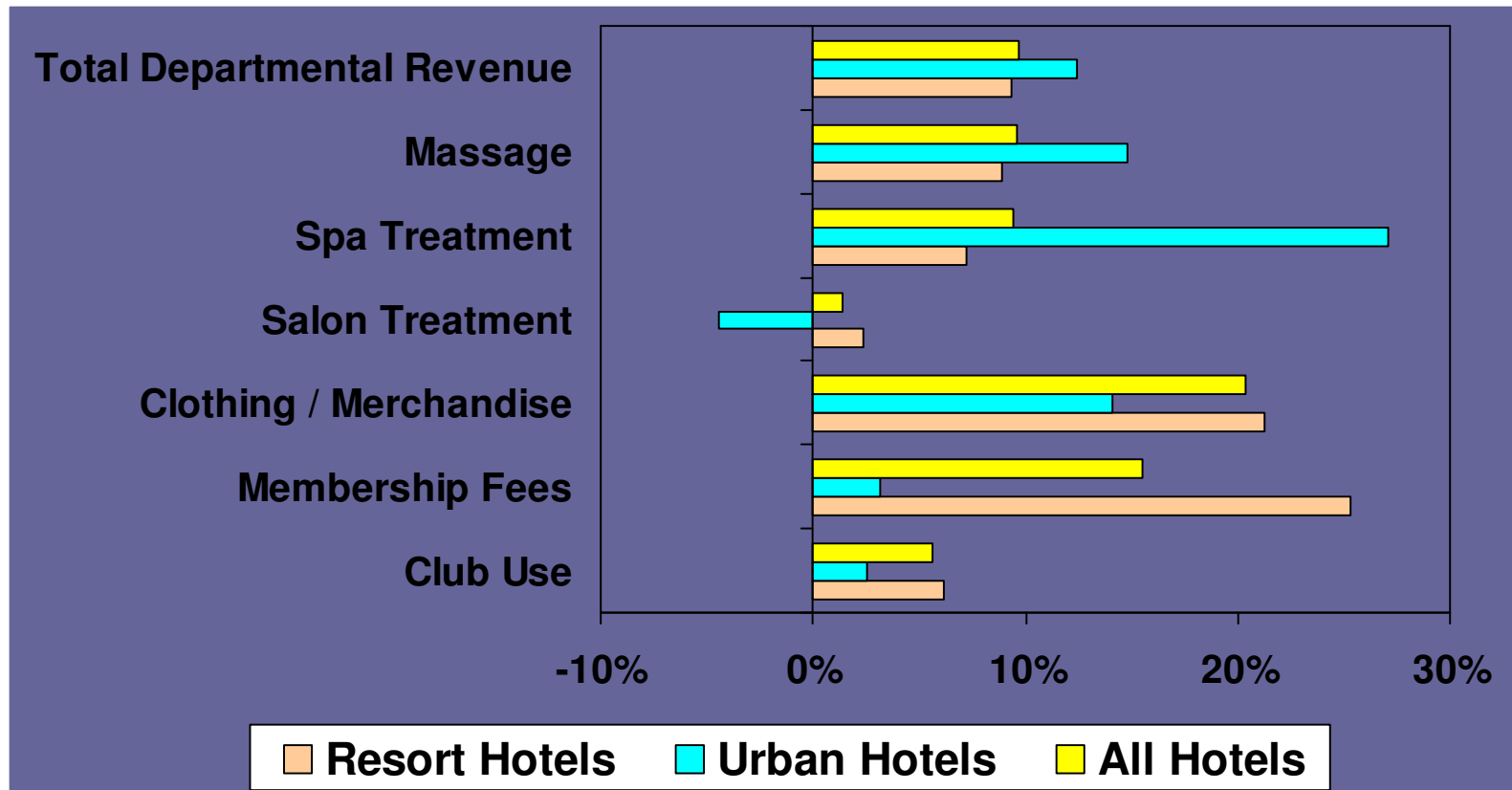
## SELECT HOTEL SPA REVENUES

Change from 2005 to 2006



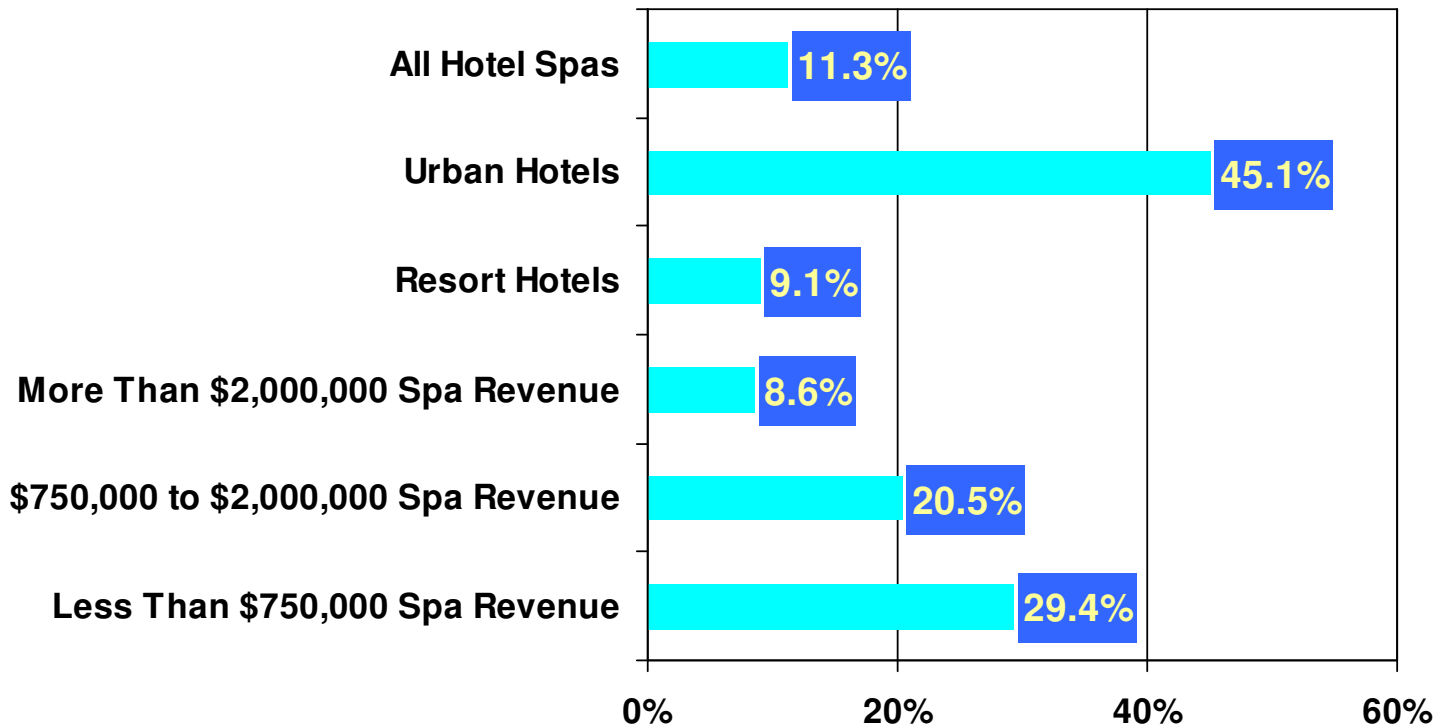
# SELECT HOTEL SPA REVENUES

Change from 2005 to 2006



## SPA DEPARTMENT PROFITS\*

Change from 2005 to 2006



Note: \* Before deducting undistributed and fixed charges of hotel.

# The Canadian Spa Industry

Donna Holtom, President

LEADING SPAS OF CANADA



# 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)

## 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.

### 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.

## 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)

### 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.

## 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

# 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.**

# PANEL DISCUSSION & Q/A