

# Global Spa Summit May 2009

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# Why look at beauty therapies?

- Valuable revenue source for
  - spas
  - other businesses.

Presentation will focus on the “other businesses”

- Topics:
  - Express tour of beauty salon / day spa market
  - Innovations in beauty technologies
  - Innovative beauty businesses

# Beauty Services or Professional Beauty, Defined

## **Professional beauty market :**

businesses that generate revenues primarily from the sale of services, both beauty and related, and the sale of products to clients.

The **retail** or consumer **beauty market** is the sale of products only, that is no services.

# How many businesses?

<b>COUNTRY</b>	<b>TOTAL</b>	<b>Day Spas (Beauty Salons )</b>
France	82,000	20,500
Germany	91,600	15,600 - 37,000
Italy	81,000 - 100,000	12,500
Spain	80,000	15,100
UK	55,000 - 60,000	14,050
Turkey	55,000	N/A
USA	370,215	220,000
China	1.72 million	N/A
Korea (S)	81,000	5,000
Japan	250,000	6,000
Australia	21,400	N/A

## Sources

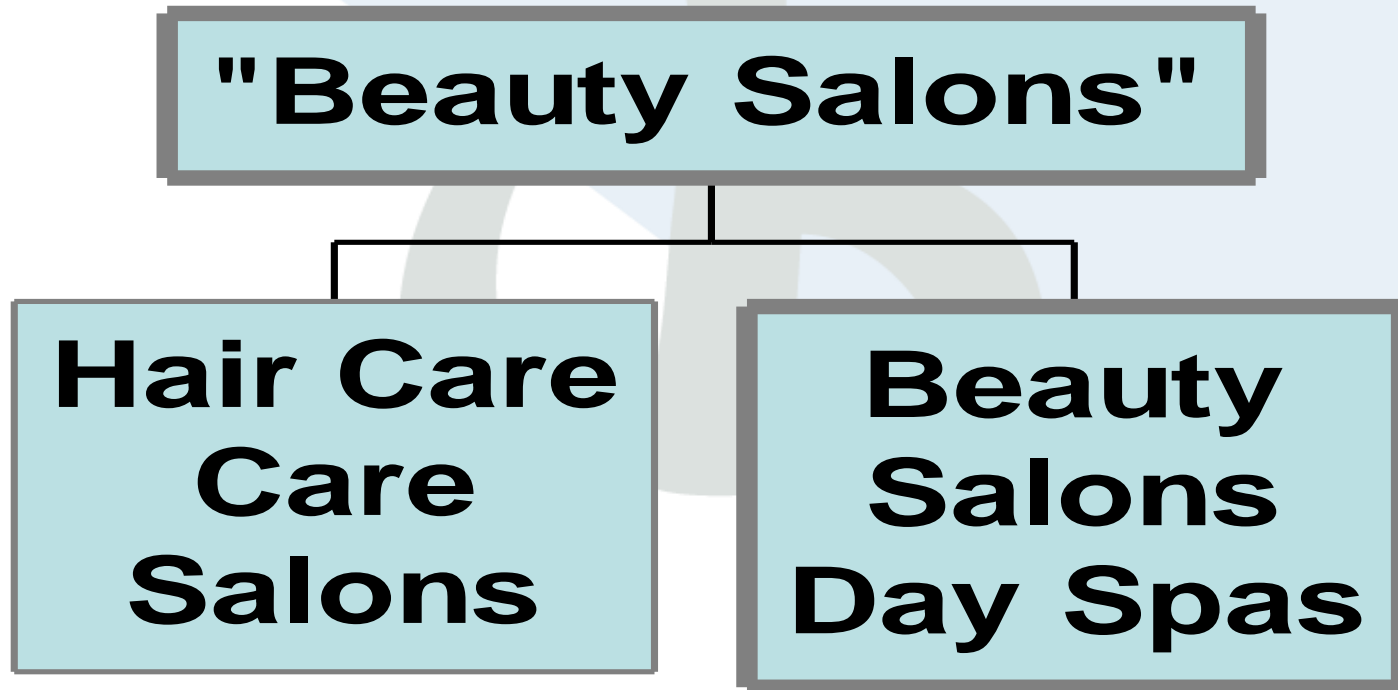
- Beauty salons/day spas, medspas, hotel spas, dental spas, cosmetic laser clinics, convenience care clinics
- Associations: professional, training, industry,
- Trade exhibitions and competitions/awards
- Publications

# Data disputes and difficulties ... examples USA and China

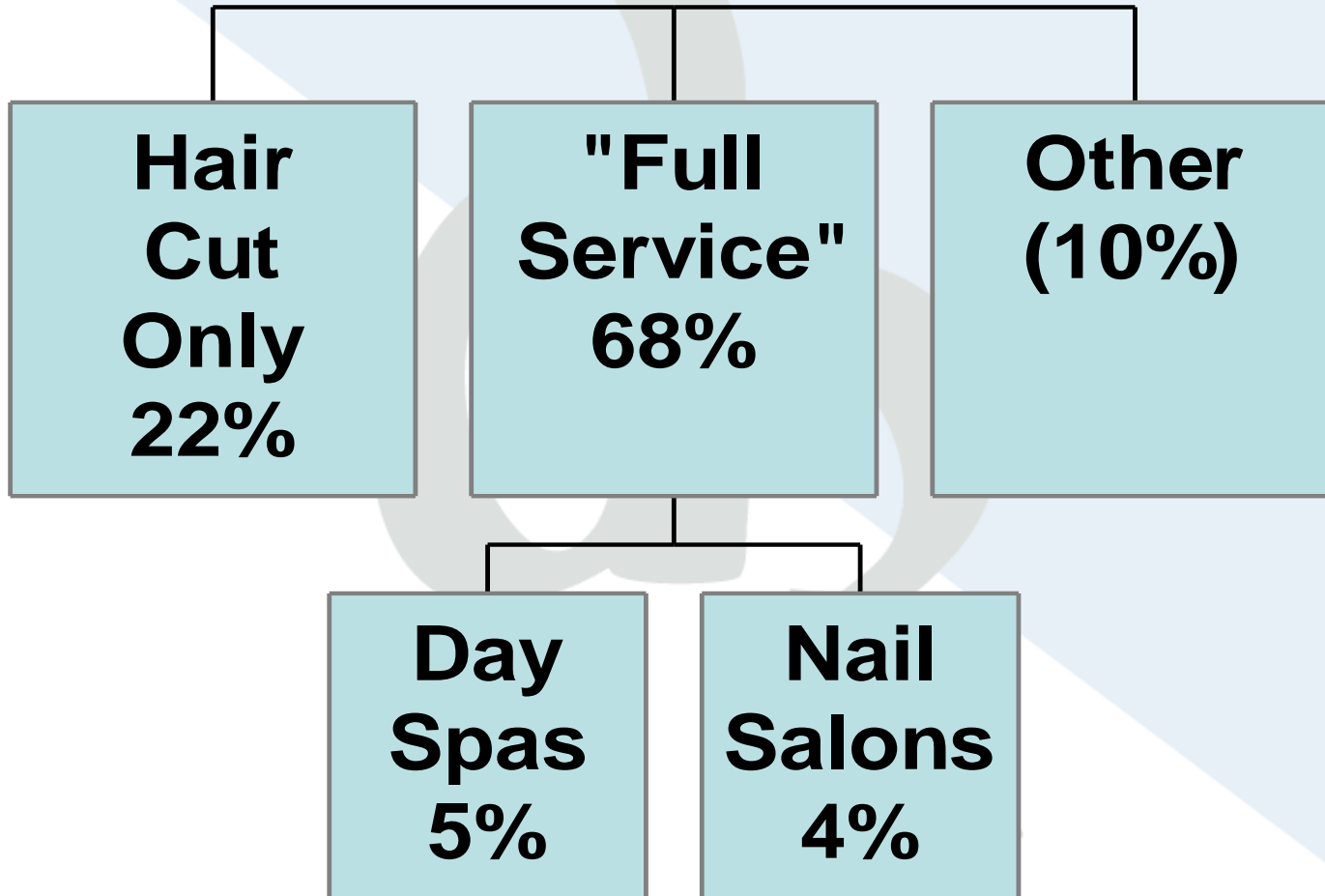
	<b>Employees (i)</b>	<b>Employees (ii)</b>
<b>USA</b>	825,000 (BLS)	1.7 million (NACCAS)
	<b>Units (i)</b>	<b>Units (i)</b>
<b>China</b>	1.7 million (Official)	1.2 million (Industry experts)

**Many (many) ways of  
segmenting the beauty  
services market  
examples ...**

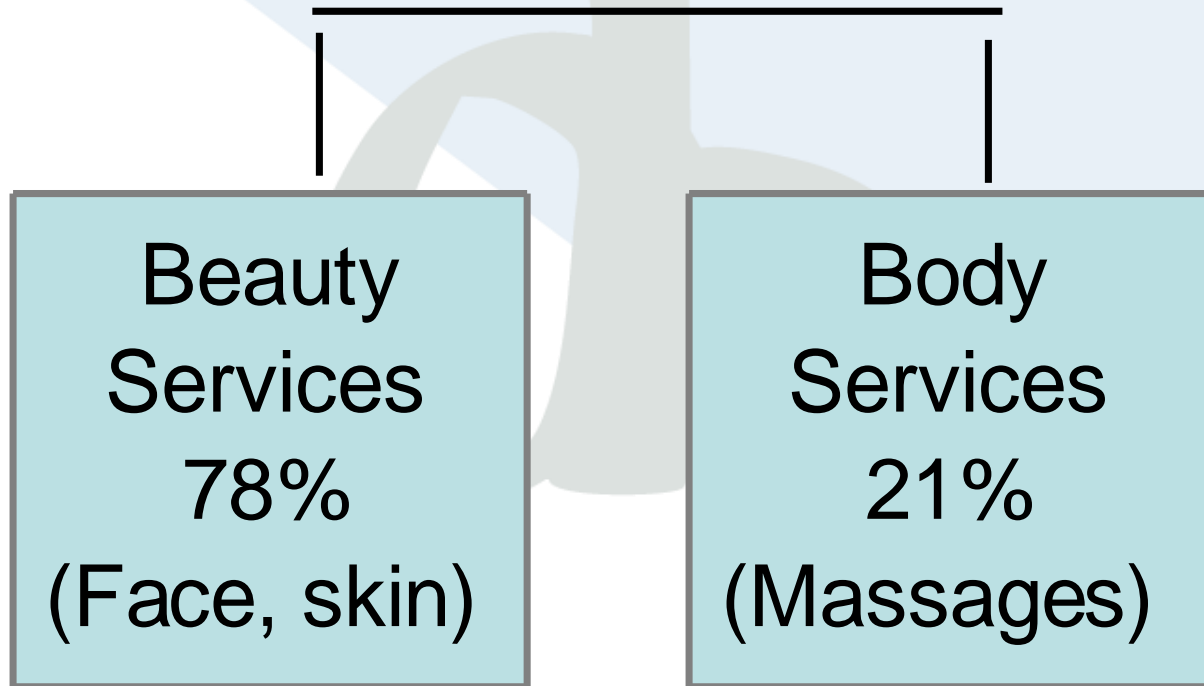
# Segmentation: hair or beauty?



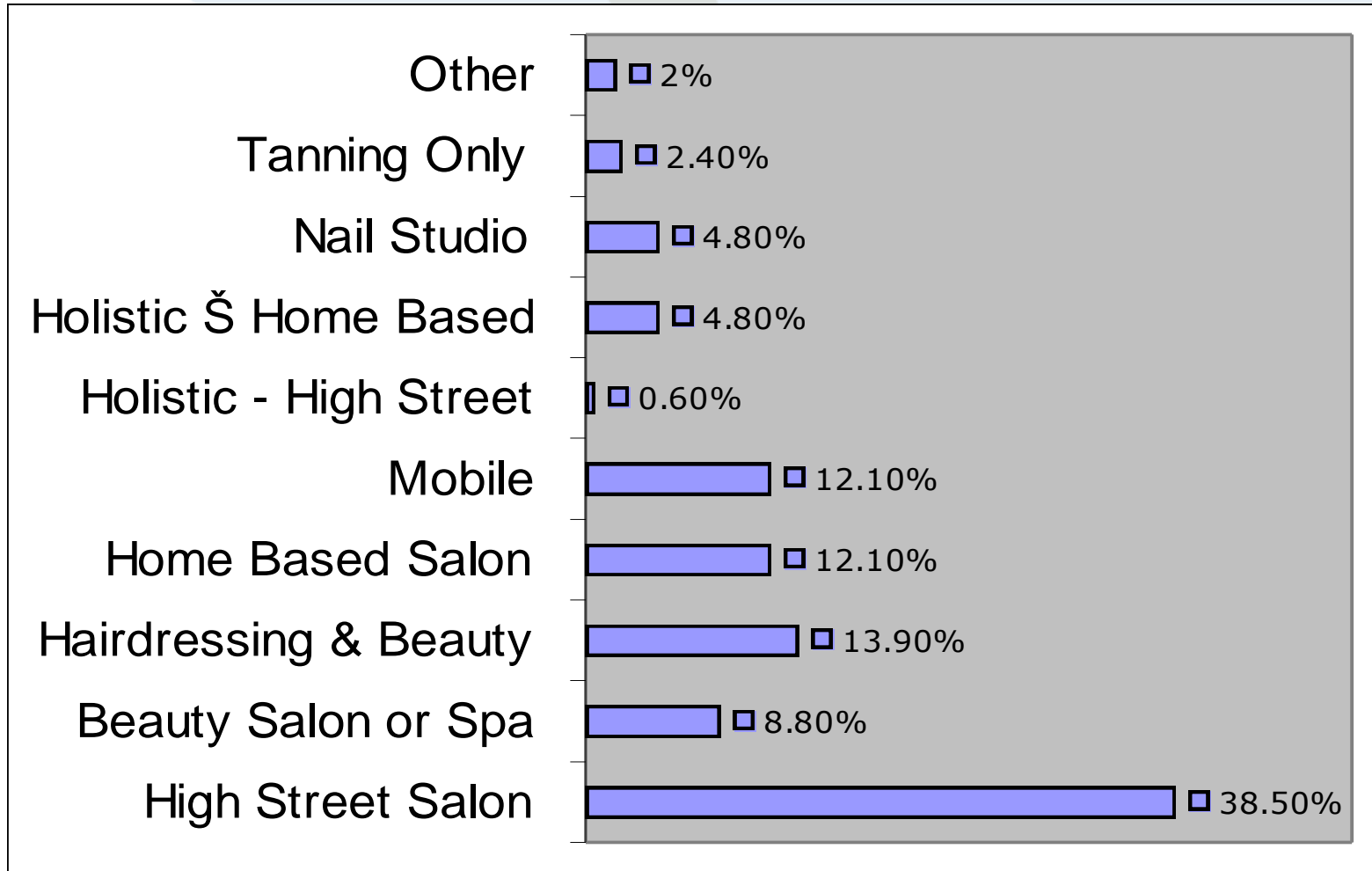
# Segmentation: USA (370,215)



# Segmentation: France (20,500)



# Segmentation UK (14,050 units)



# Services requiring training/ licence (UK)

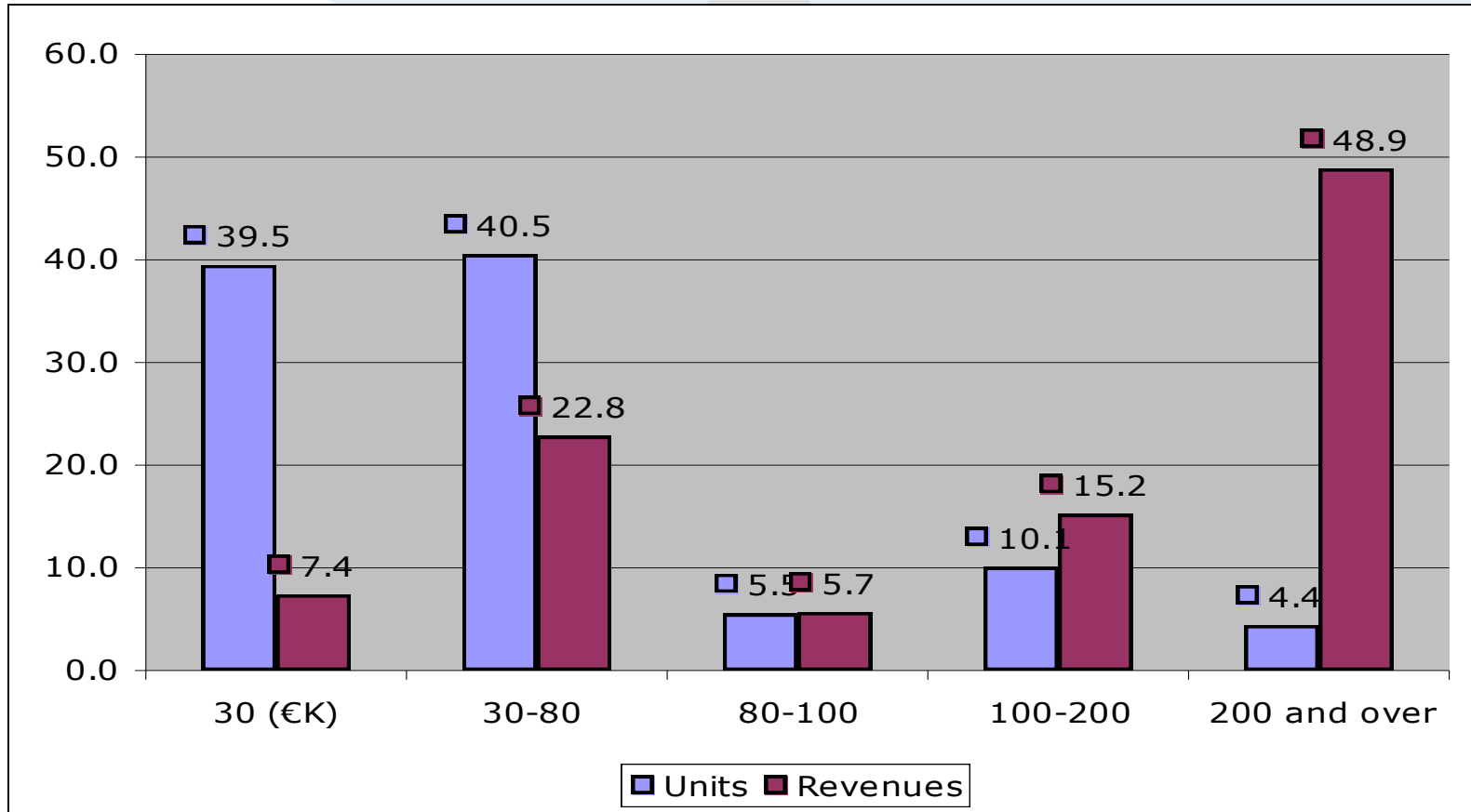
**UK specialist categories of services where a licence can be required (this varies by the local authority area -- town/city - - where therapist practices):**

- \* **Facials**
- \* **Massage**
- \* **Manicure/pedicure.**
- \* **Acupuncture** \* **Tattooing** \* **Cosmetic piercing.**
- \* **Sauna**
- \* **Threading** \* **Waxing.**
- \* **Light/laser.** \* **Electric (Ultraviolet light, electrolysis, etc.).**

# Profile “average” unit (beauty)

	<b>Size</b>	<b>Staff</b>	<b>Other</b>
<b>USA</b>	5.1 stations	4 (3 full-time / 2 part-time)	56% of 870,000 staff work full time
<b>UK</b>	3.4 stations	5	66% of 40,000 have industry benchmark training (Level 3)
<b>China</b>	10 M2 (minimum)	5	46% of 9 million no professional training
<b>EU</b>			Annual revenues € 50,000 or less

# Fragmentation: units/revenues





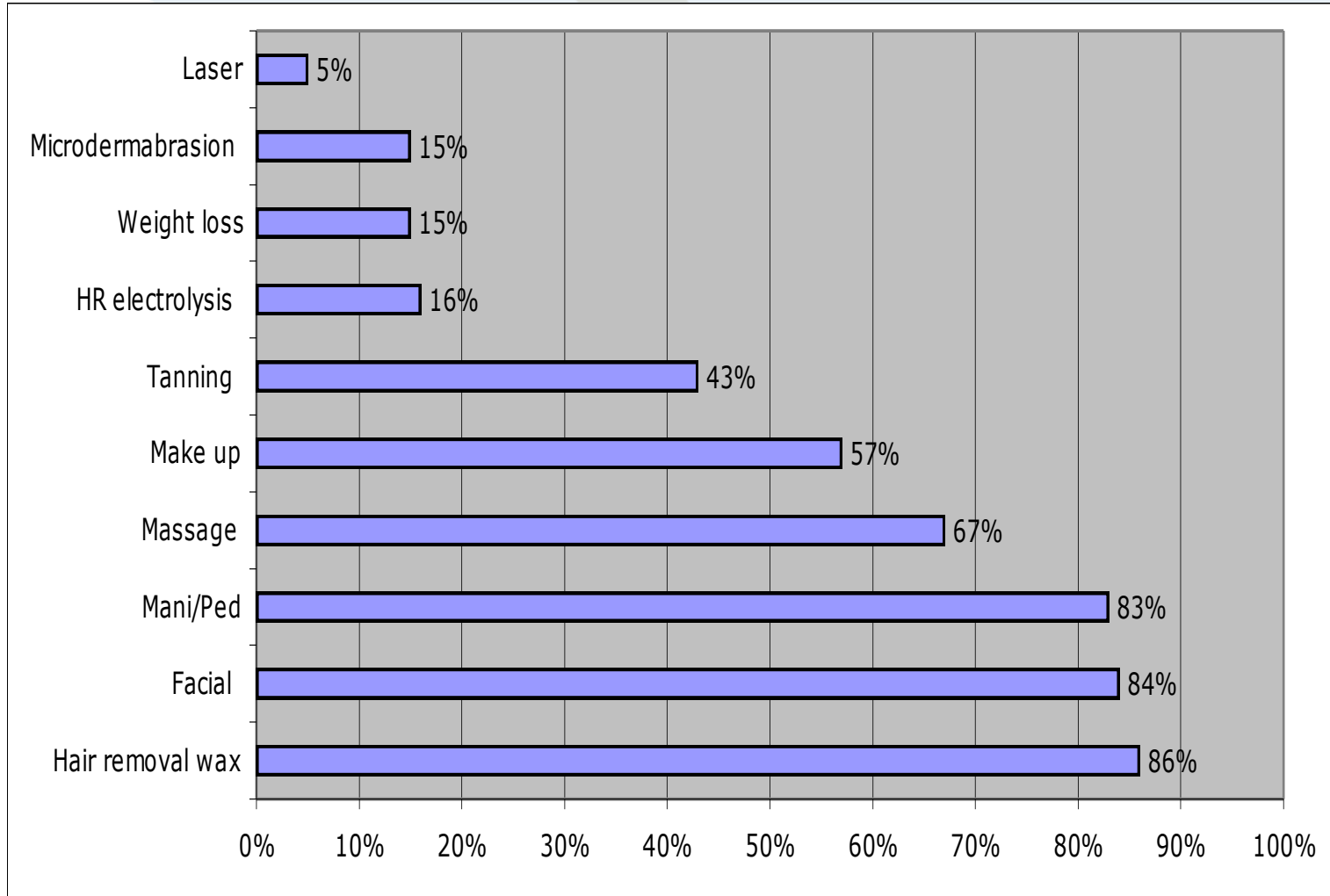
# ***Beauty Therapies Fragmented***

- **How many therapies**
- **How many permutations of combinations of therapies?**
  - Tens to hundreds, in an individual salon/spa and the sector
- **The therapies offered vary by individual business -- as do the revenues that any therapy generates**
- **The actual therapies offered subject to various licensing and regulatory systems and ad hoc agreements**

# Therapies, UK and Japan

	<b>UK</b>	<b>Japan</b>
1	<b>The Face</b>	<b>The Face</b>
2	<b>Hands and Feet</b>	<b>Make up</b>
3	<b>Body care</b>	<b>Body care</b>
4	<b>Hair Removal (depilation)</b>	<b>Hair removal (depilation)</b>
5	Well Being	<b>Foot care</b>
6	Alternative Therapies	Chemical Healing
7	Heat Treatments	Slimming
8		Other aesthetic
9		Sale of products
10		Other
	Source: BABTAC; Beauty Guild ©	Source: Ministry of Trade-METI

# Therapies, ranked by demand, UK

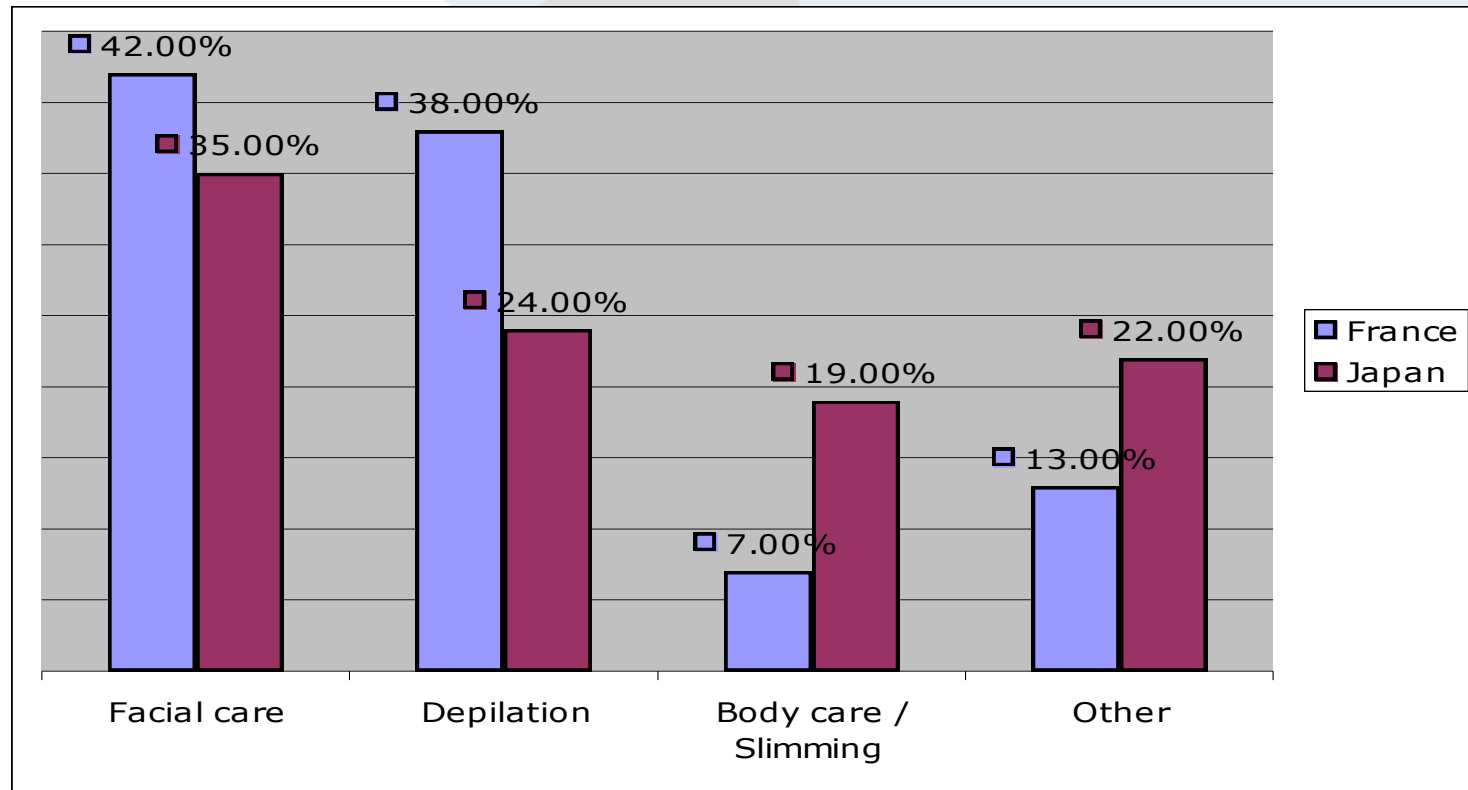


# Diagonal Reports

<b>Therapy</b>	<b>% clients using</b>
Hair removal wax	86%
Facial	84%
Mani / Ped	83%
Massage	67%
Make up	57%
Tanning	43%
Hair removal electrolysis	16%
Weight loss	15%
Microdermabrasion	15%
Laser (skin care and HR)	5%

# Therapies, ranked by revenues, France and Japan

(France 16,100 units / INSEE and CNAIB; Japan 6,000 units / METI)



# *Diagonal Reports*



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# **Disruptive or catalytic innovation**

- **The tour of professional beauty:  
a common understanding, that is that  
businesses provide much the same  
services (e.g., face care, hair removal and  
nails)**
- **Significant disruption during the 1990s**
- **The rise of the term “spa” illustrates  
innovation and change**

# When “salons” became “day spas”

## The term(s) “spa” “day spa”

- The 1990s in the USA
- Describe / refer to beauty salons
- Become the preferred term for, and by, beauty salons

## The term “salon”

- Refers only to hair salons
- Comes to be regarded as, almost, pejorative if applied to “beauty salon”

# ***“Spa” a different meaning elsewhere in world ...***

- **These spas, and larger day spas, resent the use of “spa” by (former) beauty salons ...**

# **“Spa” signals a shift in beauty culture**

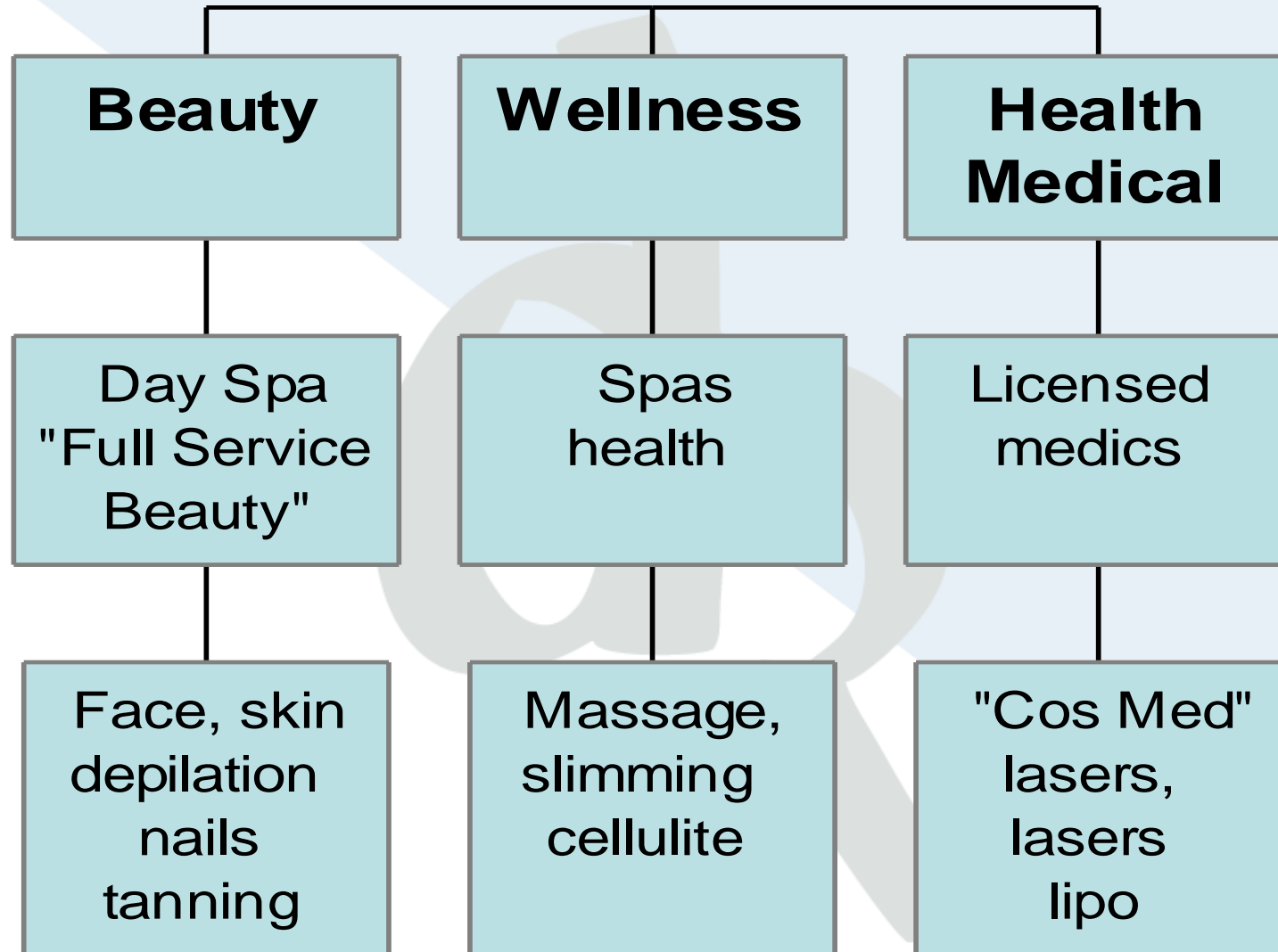
**“Spa” and variants of, day spa, medspa, beauty spa, etc.**

**“Spa” more than a terminological upgrade / real innovation**

- New type of facility, offers more than traditional beauty
- The new therapies, e.g. relaxation, wellness or “medi”
- They are not “spa lite” (traditional therapeutic spa)

**“Spa” adopted as shorthand or flag of convenience to signal change**

# Diagonal Reports



# USA and China recount ... new entrants to “beauty”

SEGMENT	USA	CHINA
Salons (hair and beauty)	370,200	1,720,000
— spas* / offering cosmetic surgery	15,000 *	10,000
Physicians offices* / Physicians	40,000*	1,751,000
Bath houses / Foot massage clinics	N/A	350,000
TOTAL	410,200	3.8 million

# New segments

Country	Salons	(beauty )	Health & fitness clubs	Health spas
France	82,000	20,500	2,000	105
Germany	91,600	15,600	6,500	320
Italy	81,000	12,500	6,500	150
Spain	80,000	15,100	5,000	93
UK	55,000	14,050	6,000	45
USA	370,000	220,000	38,500	N/A
China	1,720,000	172,000	N/A	N/A

## Another set of therapies (as % overnight stays / insurer payment recognized)

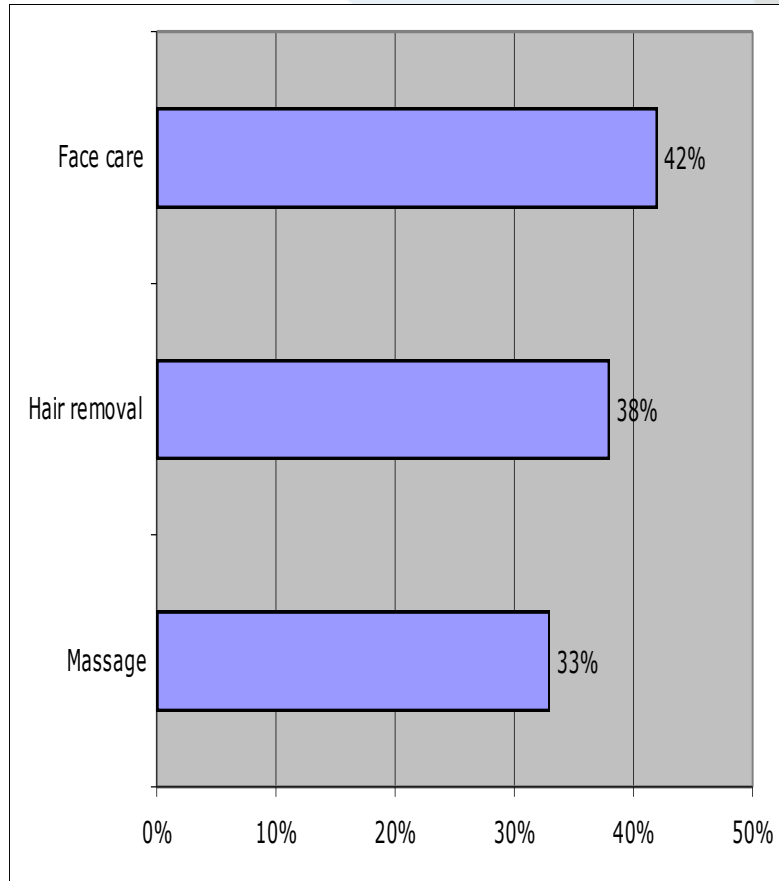
Rank	Therapy	%
1	Rheumatology/rheumatic	72.20%
2	Respiratory	11.53%
3	Urinary tract / digestive	5.50%
4	Phlebology	3.84%
5	Skin	2.88%
6	Psychological	1.56%
7	Cardiovascular	1.45%
8	Neurological	0.80%
9	Children	0.11%
10	Gynaecological	0.08%
11	Mucous Bucco-Linguale	0.04%
	Total	508,874

# **New regulations required**

## **Different countries, different categories of therapies, products, and devices:**

- **USA** ... **MedSpas, Massage, Liposuction**
- **UK** ... **Cosmetic Laser Clinics, Botox**
- **France** ... **Hair removal techniques**
- **China** ... **Government and industry introduce new regulations for salons**

# Measure what is at stake?



## Skin care

- Botox Global \$ 1.3 bn.
- Medical/Energy USA \$1.1 bn.

## Massage therapies

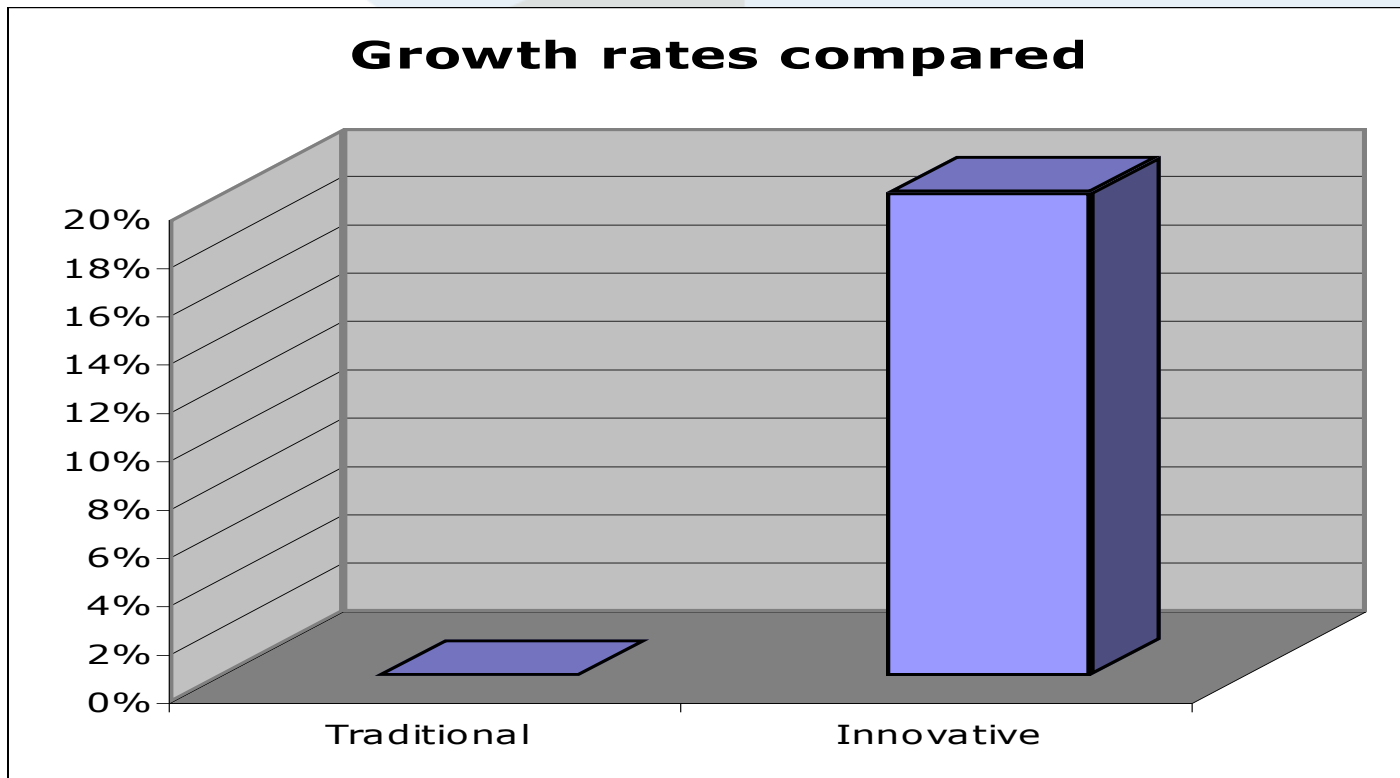
USA \$ 6 billion to 11 billion.

UK 67% salon clients

# Beauty makes its own Judgement in Paris



# Another measure of what is at stake: 0% or 20%



# *Diagonal Reports*



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# A new “beauty spa” formula?

## Similar to spas

- Same vintage, first appear in 1990s
- Like spas - pioneer a new concept of beauty
- Like spas ambition to become multi unit / multi country

**Dissimilar to spas (luxé) modest prices**

## Why look at?

- Benchmarks for any other beauty business
- Consumer reference point (e.g. quality/ price ratio), possible “entry point” to beauty
- Competitors for spas, if not at consumer level, at level of staff and investors

## Names

- **Esthetic Center** ([www.esthetic-center.com](http://www.esthetic-center.com))  
“Day Spa and French Waxing Centre, Sweet Prices / Décor is Zen.”
- **Body’Minute** ([www.bodyminute.com](http://www.bodyminute.com))

# Reproducible formula



# The formula

MEASURE	DATA (EC)
Company number of units	180
Company revenues p.a.	€24.5 million
Countries	France, Spain, USA (2)
Rooms / Staff per unit	5 / 7
Size unit (minimum - maximum)	70 M2 - 100 M2
Clients a day per unit	40
<b>Average income per franchise unit</b>	<b>€238,000</b>
<u>Average income per unit</u>	<u>Comparison</u>
France	€56,000
Spain	€32,000

# ***Keys to success of new***

**(1) Therapies**

**(2) Prices and pricing**

**(3) New beauty culture in line with lifestyles**

# Therapy Menu [www.esthetic-center.com](http://www.esthetic-center.com)

<b>THERAPY</b>	<b>Details</b>
<b>Face care (by skin type) 40%</b>	<b>6: Purifying, Oxygen, Hydrate, calming, Anti age, VitaminC.</b>
<b>Hair removal 40% (wax and IPL)</b>	<b>Face and body; Women and Men</b>
<b>Body care</b>	<b>Relaxation therapies</b>
<b>Body care</b>	<b>Slimming therapies</b>
<b>Tanning</b>	
<b>Make Up</b>	
<b>Express Bar (10 minutes)</b>	<b>Manicure, Facial hair removal</b>
<b>(as % revenues France</b>	<b>beauty salons / day spas)</b>

# Pricing systems

- **Monthly membership**
- **Cost € 10, rises to € 100 in some**
- **Pay in advance, direct debit**
- **Memberships usable all salons/spas in chain**
- **Members get discounts of up to 70% on “listed prices”**

# Prices (examples)

(Current prices 2009. Body'Minute [www.bodyminute.com](http://www.bodyminute.com))

	<b>THERAPY</b>	<b>€ (member)</b>	<b>€ (non- member)</b>
<b>Face</b>	<b>Care and Lift</b>	<b>€ 48</b>	<b>€ 68</b>
<b>Body</b>	<b>Relax/minute</b>	<b>9.90</b>	<b>22</b>
<b>Body</b>	<b>Relax anti stress</b>	<b>19.90</b>	<b>43</b>
<b>Body</b>	<b>Body shaping Session (1)</b>	<b>38</b>	<b>53</b>
<b>Body</b>	<b>Body shaping Sessions (8)</b>	<b>288</b>	<b>397</b>

# New beauty in line with new lifestyles

**(1) Time budgets**

Transparent = blocks of 5, 10, up to 40 minutes

**(2) Easy access**

**No appointment and Appointment**

**vz. day spas** charge the full price for no-shows and for late cancellations

**(3) Quality / price ratio**

**Employ qualified therapists**

**(4) Non intimidating for first time visitors including men**

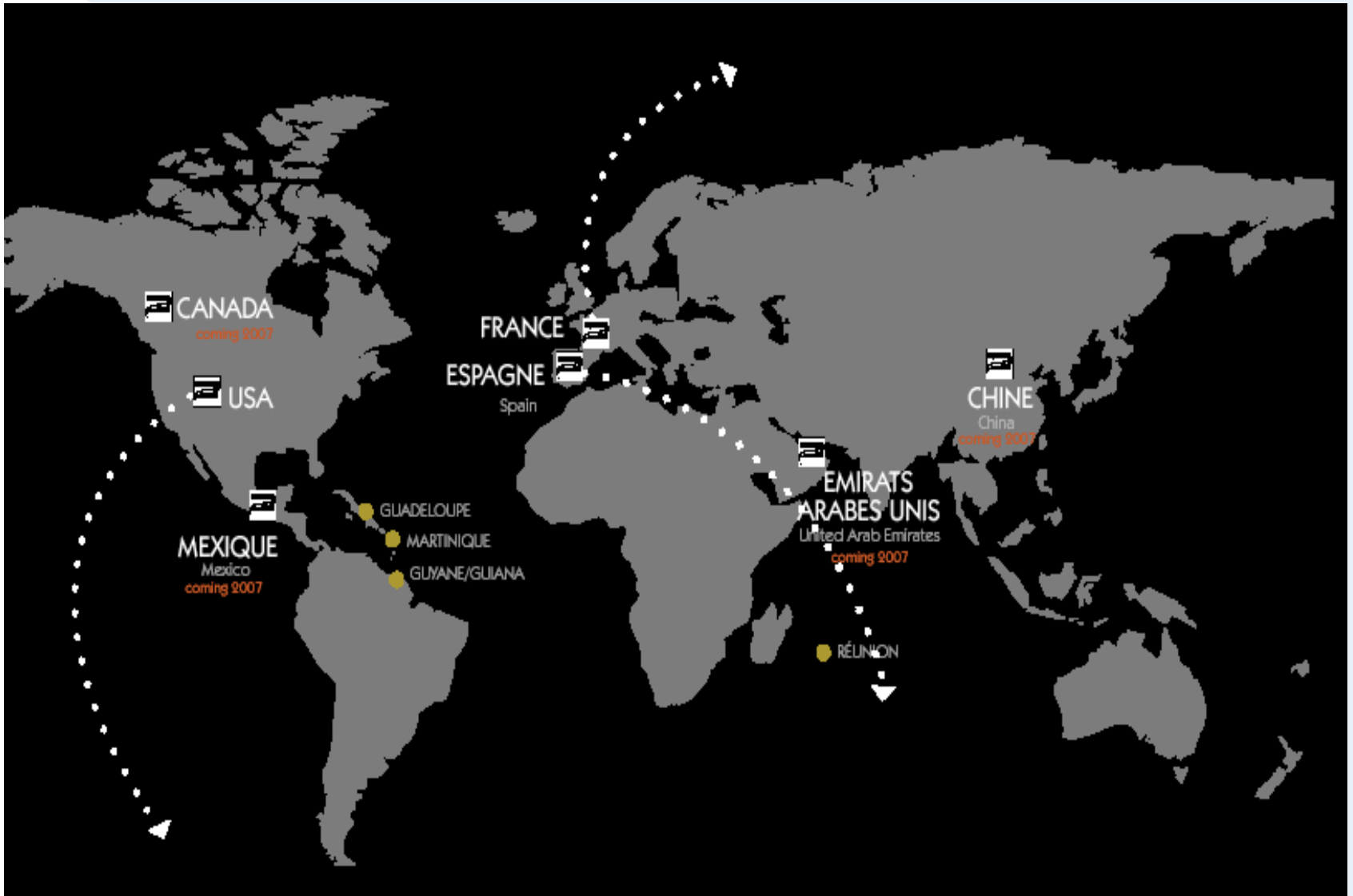
# New beauty formula attracts new clients - profile

CLIENTS	DATA
Men as % clients	10%
First time users of salons/spas (% of women clients)	40%
France % women NOT use beauty salons (est.)	66% - 93%
Spain % women NOT use beauty salons (est.)	85%

# New beauty formula attracts new clients - profile

CLIENTS	DATA
Clients aged under 35 years	48%
Socioeconomic ABC	19%
Socioeconomic other than above	40%
Men as % clients	10%
First time users of salons/spas (% of women clients)	40%
<b>France % women NEVER use beauty salons (est.)</b>	<b>66% - 93%</b>

# Diagonal Reports



THE END

THANK YOU

[www.diagonalreports.com](http://www.diagonalreports.com)

# Disruptive/Catalytic Innovation

“Disruptive innovation” or “catalytic innovation” is qualitatively different from and more than an upgrade or an improvement on the past. Rather the terms describe an innovation that makes it impossible for long established markets and businesses to continue as usual.

The term “disruptive innovation” is used by the California HealthCare Foundation, and is variant of the term “catalytic innovation” used/coined by the Harvard Business Review ([www.aafp.org/fpm/20070200/8canf.html](http://www.aafp.org/fpm/20070200/8canf.html)).

The latter term was first used to describe the “no frills” model, this offers relatively inexpensive products and services that are not state of the art, but “good enough.” This model, made famous in air travel by Southwest Airlines, has been rolled out in other services. For example, the professional beauty market has seen the emergence of “pit stop” beauty, such as hair care by “shampoo only” salons, that is, where clients wash and dry their own hair and the stylist just cuts hair.

# **China new regulation beauty salons/spas**

**The regulations require that salons:**

**Comply with regulations covering safety, fire fighting, hygiene, environmental protection, cosmetics, and appliances.**

**Minimum size of 10 square metres, of which the chair for hair services is 2.5 square metres and bed for beauty services is 2 square metres.**

**Have an adequate water supply and drainage, as well as sterilization of equipment.**

**Display the business license and hygiene license.**

**Display business hours and prices.**

**Technical personnel must have credentials from the relevant national authorities.**