

# Looking BACK ON 2002

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Lewis

Perhaps the most surprising finding from our latest survey of spa businesses is how little they have changed in the past two years. Our last survey report published in the July 2001 issue was based on data collected in February and March of that year. At the time we estimated there were approximately 6,500 businesses in the United States that called themselves day spas. This year we estimate a total of 9,500 spa businesses with about 7,500 of those calling themselves day spas. Responses for this year's report were collected in January and February 2003. Both surveys were mailed to our entire circulation and we offered day spa owners who completed the two-page survey a chance to win \$1,000. This year, like in 2001, we received approximately 1,200 completed surveys from spa businesses. The report on the following pages is based on more than 900 responses from businesses that identified themselves as day spas. We compared the percentages with those from the 2001 survey and highlighted those that varied by 5% or more.

## % By Type of Spa Business

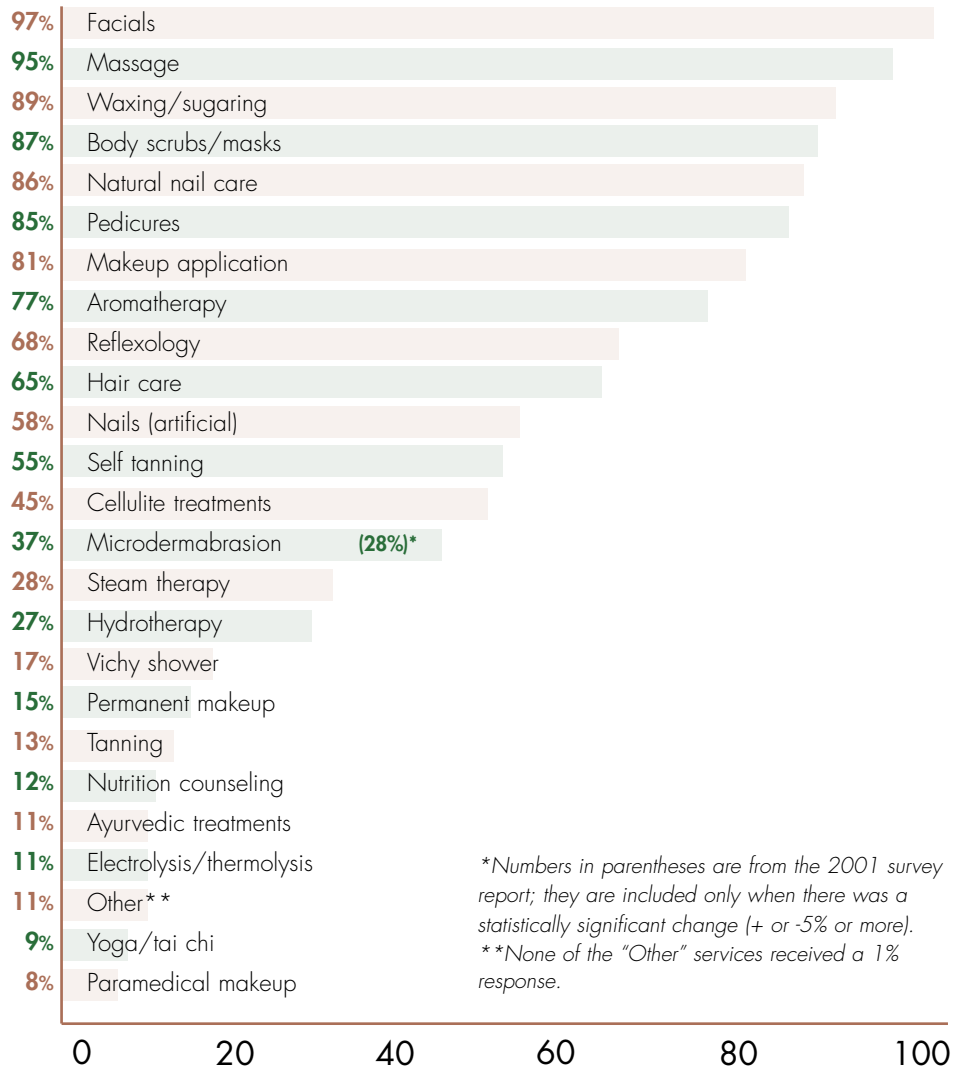
Salon & Spa	48%
Day Spa (no hair)	30%
Wellness Center & Spa	9%
Medi-Spa	6%
Destination/Resort Spa	4%
Fitness Center & Spa	3%

Note: We estimate that there are approximately 9,500 spas in the U.S., a number corroborated by our distribution list and the latest ISPA survey. Our return of 1,187 forms from spa businesses represents more than 10% of the market.

# Stable Services

The only significant change in the service picture in 2003 compared to 2001 is the 9% jump in the percentage of spas offering microdermabrasion. The fact that facials and massage don't appear on every day spa menu seems strange, but it's simply one indication of the diverse business models that call themselves day spas. There are a few businesses that offer only massage and relaxing body treatments; a few others concentrate on skin care and opt to provide relaxation options other than massage. The fact that both massage and facials continue to lead the list of services "Gaining in Popularity" is proof that day spas are still having to introduce even basic services like these to their clients.

## Services Offered (% day spas)



## Services That Produce the Most Income\*

Service	(% day spas)
Massage	56%
Facials	53%
Hair care	46%
Natural nail care	24%
Pedicures	17%
Waxing/sugaring	12%

\*Respondents were asked to name the top three, but many listed only one or two services; only services listed by at least 10% of respondents were included in the chart. There were no statistical differences from the 2001 survey.

## Services Gaining in Popularity\*

Service	(% day spas)
Massage	26%
Facials	24%
Body wraps	16%
Microdermabrasion	8%
Nail care	6%
Waxing	6%

\*Some new entries—permanent makeup, pulsed light therapy, laser hair removal and airbrush bronzing—were all mentioned by 3% of the respondents; a variety of other services were listed by 1% or fewer respondents. Most gave multiple answers; 4% gave no answer.

# More Day Spas on the Web

The size of day spas, the type of people who run them and their longevity have not changed significantly in the past two years. Two-thirds of day spas still occupy less than 3,000 square feet, and nearly half are run by fully booked service providers. Even the percentage of spas with some aspects of their booking and checkout procedures computerized remained the same. The only significant change was the 10% increase in the percentage of day spas with a Web site. Side comments on the survey forms we received, however, and subsequent conversations with day spa owners suggest there's likely to be a greater push toward getting business operations computerized during 2003.

## Computer Operations (% day spas)

**57%**

At least some booking/check out procedures computerized\*

Have a business Web site

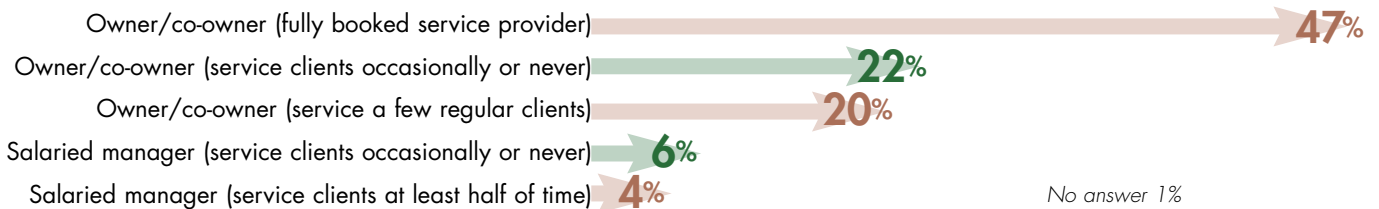
**53%**  
(43%\*\*)

*\*The software programs listed most frequently were Elite, Clientrak, Harms Pro Salon and Millennium, Hairmax, Leprechaun, Mikal, Milano SAM, Pro Solutions, Salon Biz and Salon Transcripts.*

*\*\*Statistically significant increase in spas with Web sites compared to the 2001 survey report.*

## Respondents Business Function

(% respondents)



## Years Current Business Has Been Open?

(% day spas)



## Size of Facility (sq. ft.)

(% day spas)



# Greater Competition Evident

While the gross annual business income for day spas has not changed significantly since 2001, there are signs that competition is becoming a bigger problem for day spa owners. The average number of clients served in a typical week fell from 241 in 2001 to 233 this year, and the percentage of day spas serving less than 100 clients a day rose from 29% to 37%. The average gross annual business income this year is \$506,600 compared to \$470,489 in 2001, but because we changed the way we collected data this year, we believe the previous average was lower than it should have been. In the 2001 survey our gross income options stopped at \$1,000,000 or more. This year we added additional options up to \$3,000,000 or more. This allowed us to more accurately reflect the spas producing significantly higher revenues in our average.

## Gross Annual Business Income

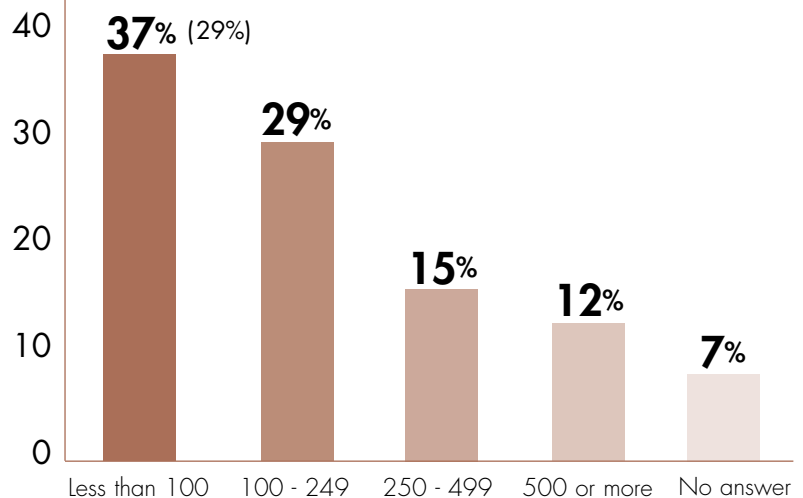
Average: \$506,600

(% day spas)

Less than \$50,000	10%
\$50,000-\$99,999	17%
\$100,000-\$299,999	27%
\$300,000-\$499,999	14%
\$500,000-\$999,999	17%
\$1,000,000-\$1,999,999	9%
\$2,000,000-\$2,999,999	3%
\$3,000,000 or more	1%
No answer	2%

## Clients Served in a Typical Week

(% day spas) Average: 233/week (241)\*



\*Percentages in parentheses from the 2001 survey indicate that some spas are serving significantly fewer clients per week.

## Percentage of Gross Income From Retail Sales

(% day spas)

Less than 10%.....	14%
10%-19%.....	38%
20% -29%.....	28%
30% or more.....	16%
None/No answer.....	4%

## Percentage of Revenue From Spa Services\*

Less than 25%.....	30%
25%-49%.....	44%
50% or more.....	21%
No answer.....	4%

\*Based on day spas with hair services, 65% of respondents.

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## Size and Income Correlate

The additional options for spas making \$1,000,000 or more really had an impact on the gross annual income by size. It became truly evident that larger spas are more likely to bring in significantly higher gross revenues than those under 3,000 square feet. The differential in average income for the smaller spas versus those over 3,000 square feet is dramatic. How long the spa has been in business also plays a part in gross revenues but the difference isn't nearly as pronounced.

## Another Winner!

Everyone who returned a completed *DAYSPA* Reader Survey before the deadline was eligible for our \$1,000 prize drawing. The winner is Jane Leigh Eden of Eden A Day Spa in Austin,



Texas. The spa specializes in facials, massages and nail care, but its fastest growing service is airbrush bronzing. Eden has been in the salon industry for more than 10 years and opened her spa more than three years ago. What will she do with her winnings? "Take a wonderful spa vacation," she says enthusiastically.

We sincerely thank those who took the time to tell us about their day spa businesses, and we hope you'll find these results valuable. Let us know if there are other types of data you would like us to collect or if you see ways we could improve our survey. Use the postage paid "Letter to the Editor" card on page 105 or e-mail [llewis@creativeage.com](mailto:llewis@creativeage.com).

## Gross Annual Business Income by Size of Facility

	Less than \$50,000	\$50,000-\$99,999	\$100,000-\$299,999	\$300,000-\$499,999	\$500,000-\$999,999	\$1,000,000 or more
Less than 3,000 sq. ft. Average: \$270,557	10%	16%	22%	9%	9%	2%
3,000 sq. ft. or more Average: \$1,011,598	0%	<1%	5%	5%	9%	11%
						No answer 3%

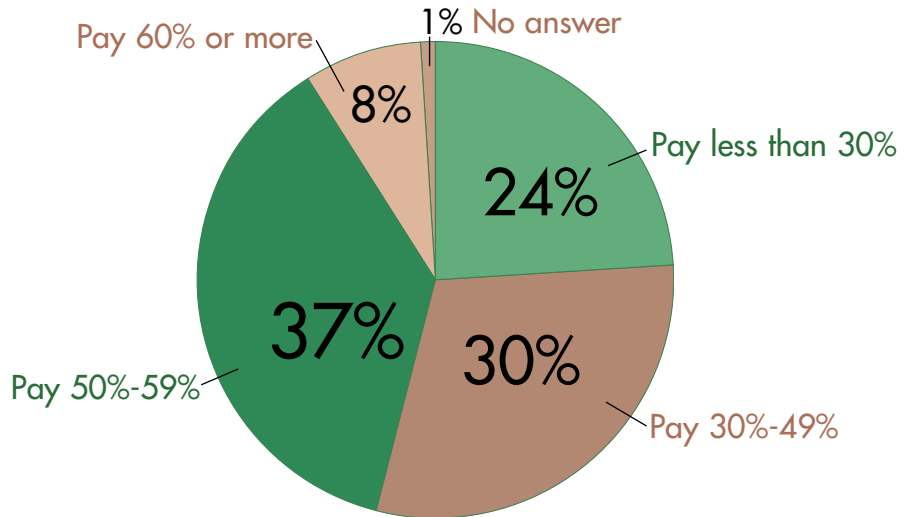
## Gross Annual Business Income by Years in Business

	Less than \$50,000	\$50,000-\$99,999	\$100,000-\$299,999	\$300,000-\$499,999	\$500,000-\$999,999	\$1,000,000 or more
Less Than 5 Average: \$309,000	7%	10%	12%	6%	5%	3%
5 or More Average: \$622,000	4%	7%	15%	8%	13%	10%
						No answer 3%

## Growing Concern

In 2001, 40% of the respondents reported making less than 10% profit; this year that percentage rose to 46%, and the percentage of day spa owners concerned about profitability rose dramatically from 34% in 2001 to 52% this year. Management concerns shifted from finding qualified workers to building a clientele and making a profit. While the percentage of day spas paying 30% or less of revenues as commissions and salaries increased by 10% this year, the percentage paying 30% to 49% decreased by 12% and the percentage paying 50% or more stayed steady. While some day spa owners may be getting salaries and commissions under control, we think the data suggest more small partnership operations and a salary/commission structure that's still out of control.

Total Income Paid in Salaries/Commissions (% day spas)



% of Gross Income Remaining as Profit (% day spas)



## Biggest Problems Spa Owners Currently Face

(% respondents)\*

Making a reasonable profit .....	<b>52%</b>	<b>(34%)**</b>
Lack of qualified workers.....	<b>40 %</b>	<b>(51%)**</b>
Balancing multiple demands on time .....	<b>38%</b>	<b>(44%)**</b>
Building a clientele.....	<b>34%</b>	<b>(19%)**</b>
Managing and keeping staff.....	<b>24 %</b>	

\*Most respondents gave multiple answers.  
\*\*Numbers in parentheses are from the 2001 survey.

# Guarded Optimism

The majority of spa owners indicated they planned to grow their businesses in 2003—but not at the levels they did in 2001. Only 50% planned to make a major equipment purchase in 2003, 10% fewer than in 2001, and only 68% planned to add staff in 2003, compared to 82% in 2001. Another interesting significant change is the increasing per-

centage of day spas purchasing some supplies from professional beauty supply stores—up 9% from 2001. This is another indication of an increased number of small operations. We added a question on online purchases this year, but only 9% of the respondents had ever used this purchase option. It will be interesting to see if that grows in future surveys. ♦

## Purchasing Picture

	(% day spas)	
Owner/director makes nearly all purchasing decisions.....	<b>84%</b>	
Purchase products through a full-service distributor.....	<b>74%</b>	
Purchase products direct from manufacturers.....	<b>63%</b>	
Purchase products from professional beauty supply store.....	<b>60%</b>	<b>(51%)*</b>
Plan to make a major equipment purchase in next year.....	<b>51%</b>	<b>(61%)*</b>
Plan to add or change a major product line in next year.....	<b>37%</b>	<b>(45%)*</b>

\*Significant differences compared to the 2001 survey (percentages in parentheses). Only 9% made purchases online; this question was not asked in 2001 survey.

## Staff Notes

(% day spas)

Have 5 or fewer full-time employees . . .	<b>52%</b>
Have more than 10 full-time employees . .	<b>25%</b>
Have 5 or more part-time employees . . .	<b>30%</b>
Have no independent contractors . . . . .	<b>60%</b>
Have only independent contractors . . . . .	<b>8%</b>
Plan to add staff in the next year. . . . .	<b>68% (82%)*</b>
Plan to add 5 or more staff members . . .	<b>12%</b>

\*Percentage in parentheses from the 2001 survey is significantly higher than this year. There were no significant differences in any of the other percentages.

## Services Business Plans to Add\*

(% day spas)

<b>10%</b>	Microdermabrasion
<b>5%</b>	Steam therapy Laser hair removal Nutritional/weight-loss programs
<b>4%</b>	Ayurvedic treatments Body scrubs/masks/wraps Vichy shower Yoga

\*Airbrush bronzing, nail care and permanent makeup were listed by 3% of respondents; a variety of other services were listed by 1% or fewer.