

Day Spa Association 2015

Spa & Wellness

Retail Survey Report





Day Spa Association

24 Years Connecting the Community

Dear colleagues,

The last time I wrote this letter, it was early in 2013 and it seemed the Spa industry, like the rest of the economy, was working hard to grow itself out of the recession that encompassed everyone's life for many years. The down-turn saw many facilities go out of business while others thrived. Yes, thrived in a down-turn. How did they accomplish that? There is no simple answer, yet some factors are the same through many industries and it's no different in the spa world.

Bear with me a minute, I'll come back to the reasons why some are successful, even in bad times. What we do know is the healthcare world has changed dramatically. Good and bad for the public, mostly good for the spa industry. I've spoken to friends across the states who comment on their use of spa, chiropractic, naturopathy, weight loss, supplements, herbal tinctures and much more (read about the categories in this survey). Given the outrageous cost of first running to the medical doctor, more and more, our clients are turning to their spa and wellness facility for services and low and behold...feeling better by going their first! Stay tuned as I see more years of good spa business ahead.

How to position yourself for success? Let's talk about a few basics and then some new initiatives; know your numbers, be a great inventory manager, understand operations, review your hours of operation (can you be open more?), manage employee hours wisely...those are the basics. You absolutely need to understand the business end to be successful. This is not a new initiative, but utterly important to the stability and growth of your business. When you dig into this report, you'll see that retail is still a small part of most operations, yet can produce more profit than traditional spa treatments. I cannot think of a reason not to participate in this avenue within your facility. Clients are primed to purchase when they visit you and in fact, are paying cash for service!

A few quick notes before you dive into this survey; software and technology are king, you need to be on top of both categories. Social media is getting stronger and stronger, don't do it "half way," get all the way in! If you haven't already, add short-time massages and facials to your menu. Time is of the essence today.



About this survey...

Retail is such an important subject and I'd like to say thank you to the over 700 industry participants that filled out 40 questions in this online survey. We had comments come back to us that said "this information is so important, keep doing these surveys." This is our 3rd survey in the last 6 years on Retail in the Spa & Wellness category and we always welcome your input. If you have particular questions you'd like to have added to this survey (or any other survey), please send them to dsa@dayspaassociation.com We take them all seriously.

How should we use the data...

Our members suggest: compare the responses to your own data, how do you stack up? Separate the data to your key people and have them dig deeper. Spread sheet the important data and track during the year. Bite off small pieces at a time, compare and take action. Finally, utilize the data to make changes.

Thank you...

This survey was done with the help of Greg Willis who worked "beyond the pale" to get it done right. Patti Biro, our education director (and owner of Patti Biro & Associates) and Monte Zwang, numbers-man extraordinaire (and owner of Wellness Capital Management). I cannot express enough my heartfelt *thank you* for the critical thinking and input. Feel free to reach out to them as they have 50 + years of industry experience.

Happy Retailing,

Allan Share
Executive Director
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The DSA Retail Survey 2015 Executive Summary

About

The Day Spa Association (DSA) has been connecting the community for almost 25 years. With our sister organization, the International Medical Spa Association (IMSA), we communicate to over 110,000 industry contacts through mailing and over 36,000 by email. In our last Executive Summary, we touched on the movement towards blending spa, medical and wellness and the inclusion of retail. It seems to be even more important today that your facility is positioned correctly to deliver world-class service and make profit a front-line concern.

Retail surveys have been produced every other year by the DSA, starting in 2009 (there was a recession going on). Our previous release in 2013 was magnified by the recovering economy, although most spa businesses didn't feel they were completely out of the woods. Things are looking up and 2015/16 shows promise for increased business in the Spa world.

Tracking trends (and this survey is a good cross-section from our industry) has always been important and will help you keep your finger on the pulse of the industry and your facility in particular.

Retail Potential

Retail profit is a key component to the health *and wealth* of your facility. In fact, retail can be a significant contributor to profit and should not be overlooked. This report indicates traditional retail has keystone markup (double or 50%, sometimes more). Margin, the amount between what you sell for and what the item cost, is the single most important number in retail profit. Larger margin, more profit.

Spas should consider adding additional dollars to retail pricing when applicable. Look for unusual, good selling items that are not in every spa in your region and add additional margin to the product. Remember, the manufacturers suggested selling price is just that, a suggested selling price. A typical spa treatment might produce 35%-45% gross profit on service. A retail item might produce 50-60% gross profit....sell retail!



Make money? Inventory turns?

It's so important to "ring the cash register on all clients, every day." It's critically important to have the training program and protocols in place to manage all the numbers (consider your software program). Think about your facility as being in the "retail business" and also "doing spa treatments." It may change or at least open your mind to what your facility can be. Profit allows you to run a profitable and long term business...focus on it.

Our report indicates that 37% of respondents are utilizing 5-10% of their space for retail. Two years ago this level was 33%. Retail is growing in terms of making space (currently utilized or not) a profitable part of your operation. Retail can and should be in several places in your facility including:

- Waiting area
- Hallways
- Restrooms
- Treatment Rooms
- Relaxation rooms

Give clients the ability to get interested and purchase retail!

Key Indicators

A number of key indicators came to light during the information gathering for this survey:

Retail is still being done in a relatively small area with limited square footage, but it is being done and can be added to other areas with minimal effort.

Work with your vendors by being a good partner and asking them to be a good partner. Come up with monthly/quarterly specials, programs or staff incentives.

Retail sales should be on every team members job description.

Tracking data and knowing your numbers is critical to a successful business.



Conclusion

Growing retail sales can and will have a profound affect on the growth, profitability and longevity of your facility. Your database is critical to your success. It should be "mined for additional business," which can come from growing a retail business.

For more information, please contact:

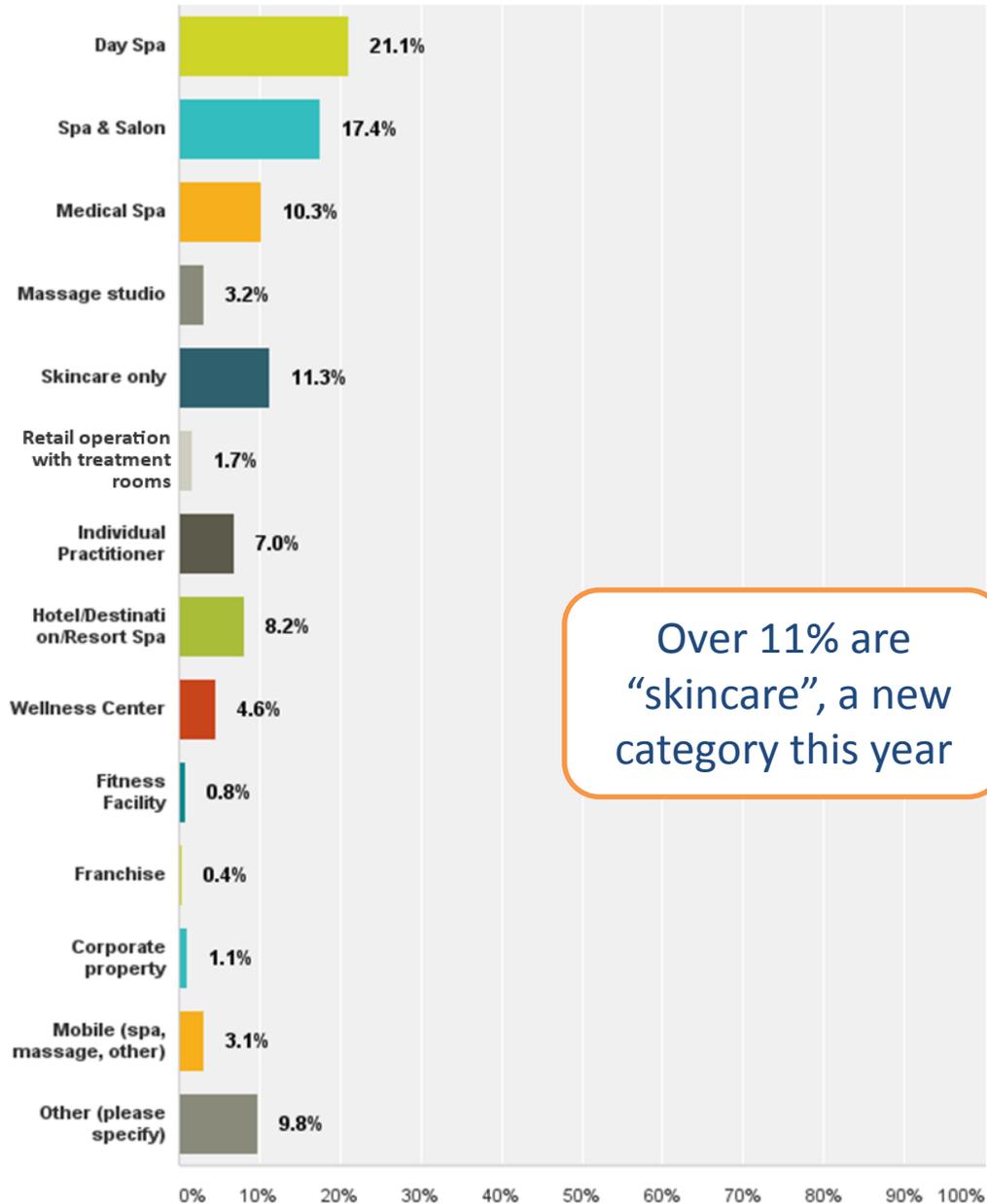
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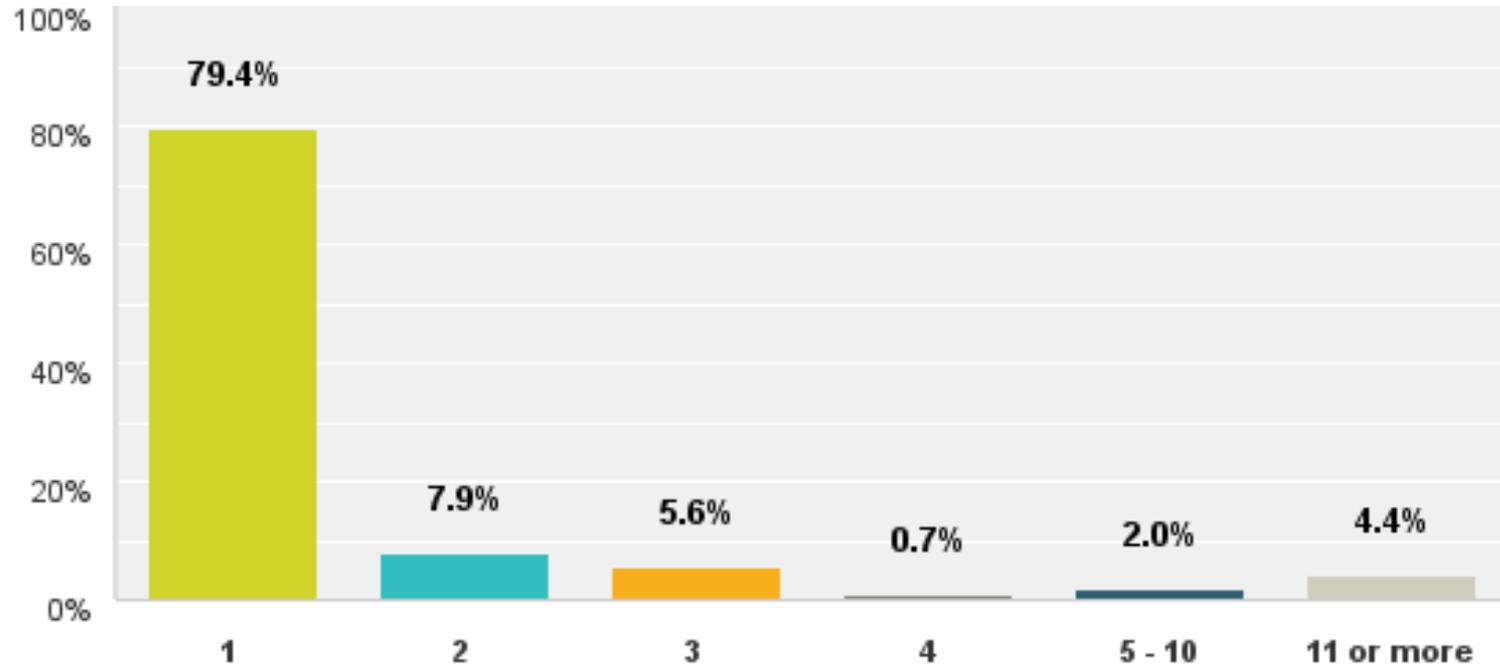


How would you describe your facility?



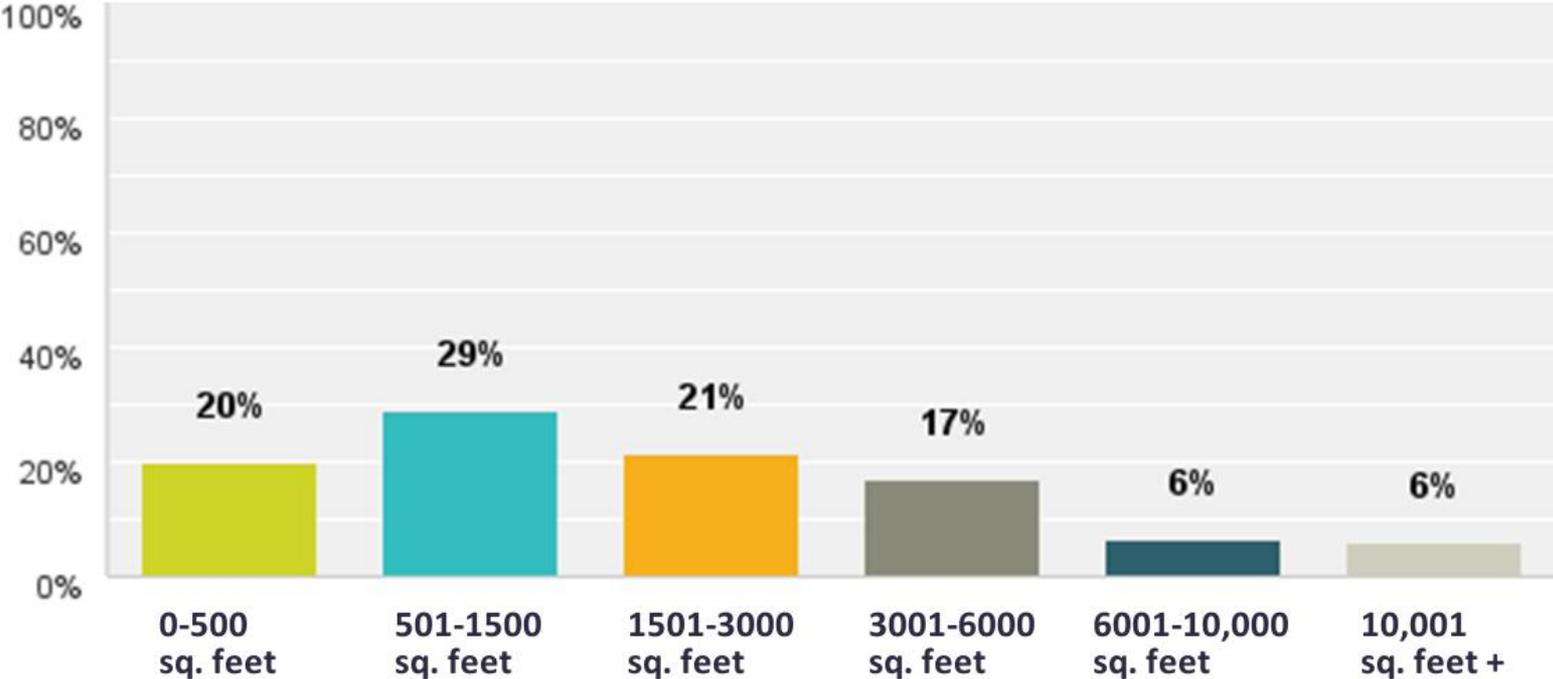
Over 11% are "skincare", a new category this year

How many locations does your company have?



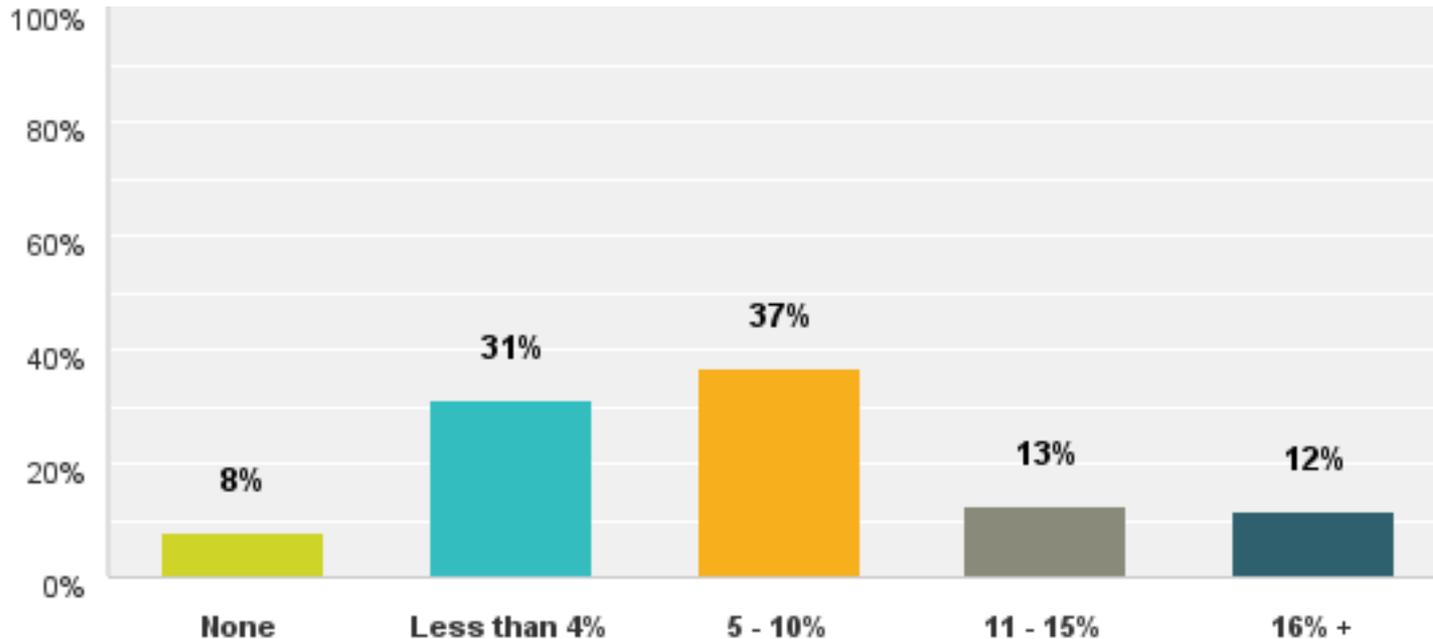
Single locations are still predominant. They might be 1,500 square feet or 50,000 square feet.

What is the total square footage of your facility?



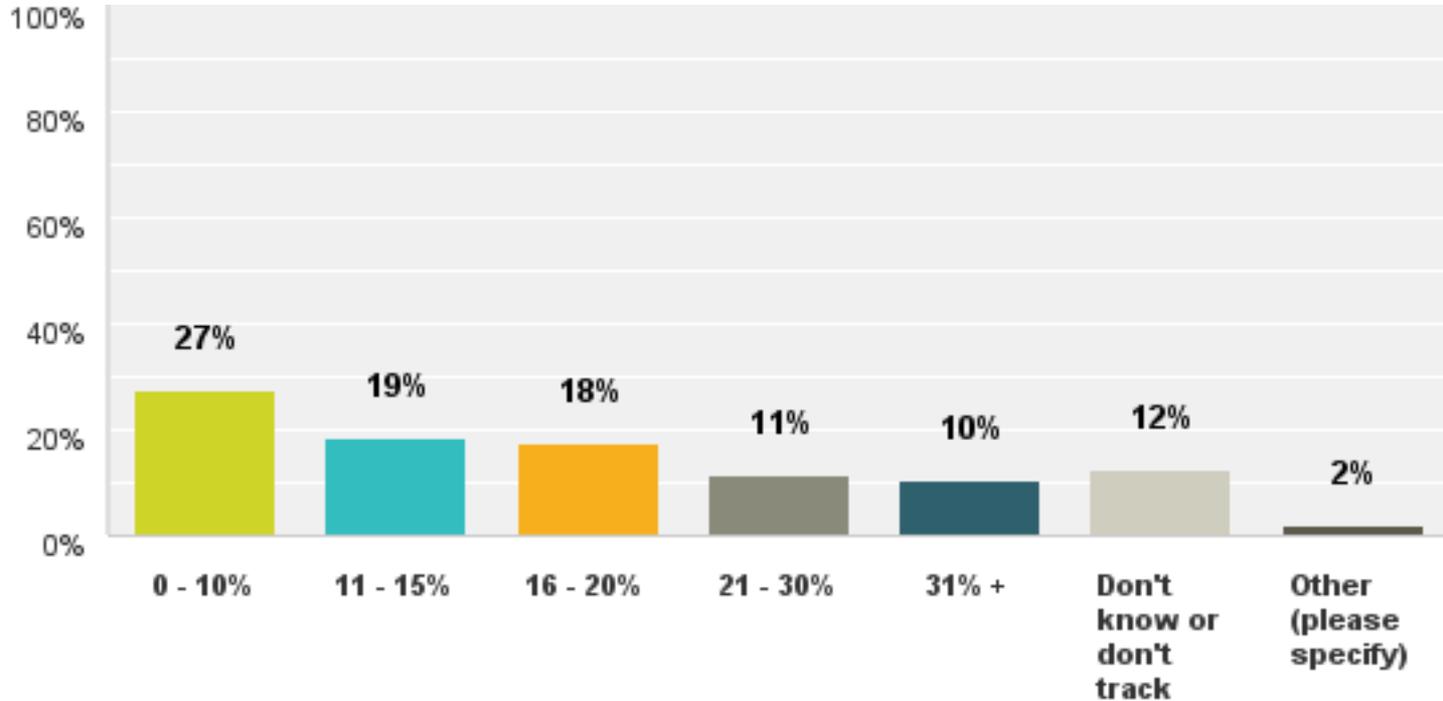
Just over 70% are under 3,000 feet.

What percentage of your total square footage is allocated to retail?



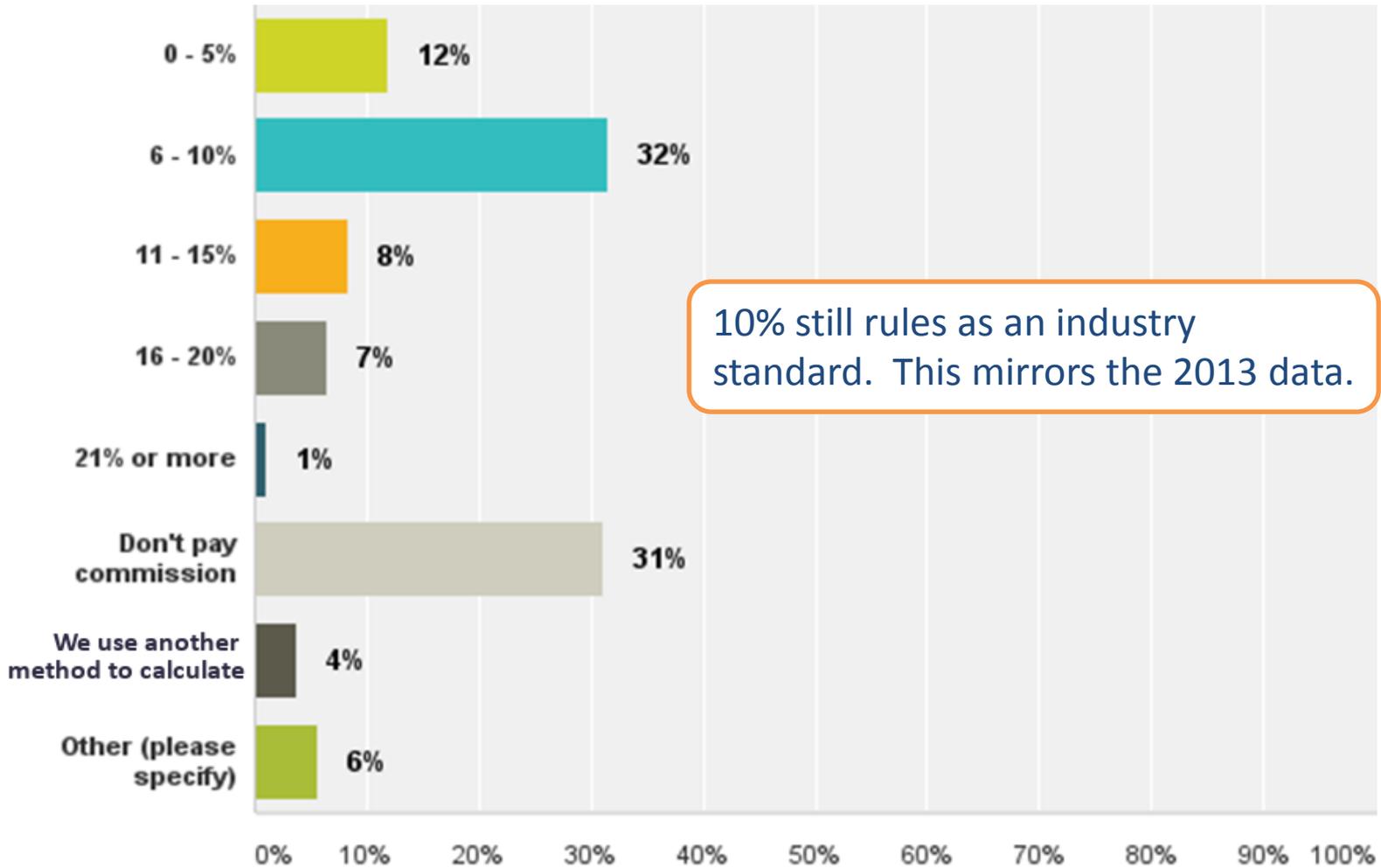
76% dedicate 10% or less of their total square footage to retail operations. Data later in this report will show a correlation between the amount of retail space and the percentage of retail sales.

What is your retail sales to service ratio (excluding gift certificates)?

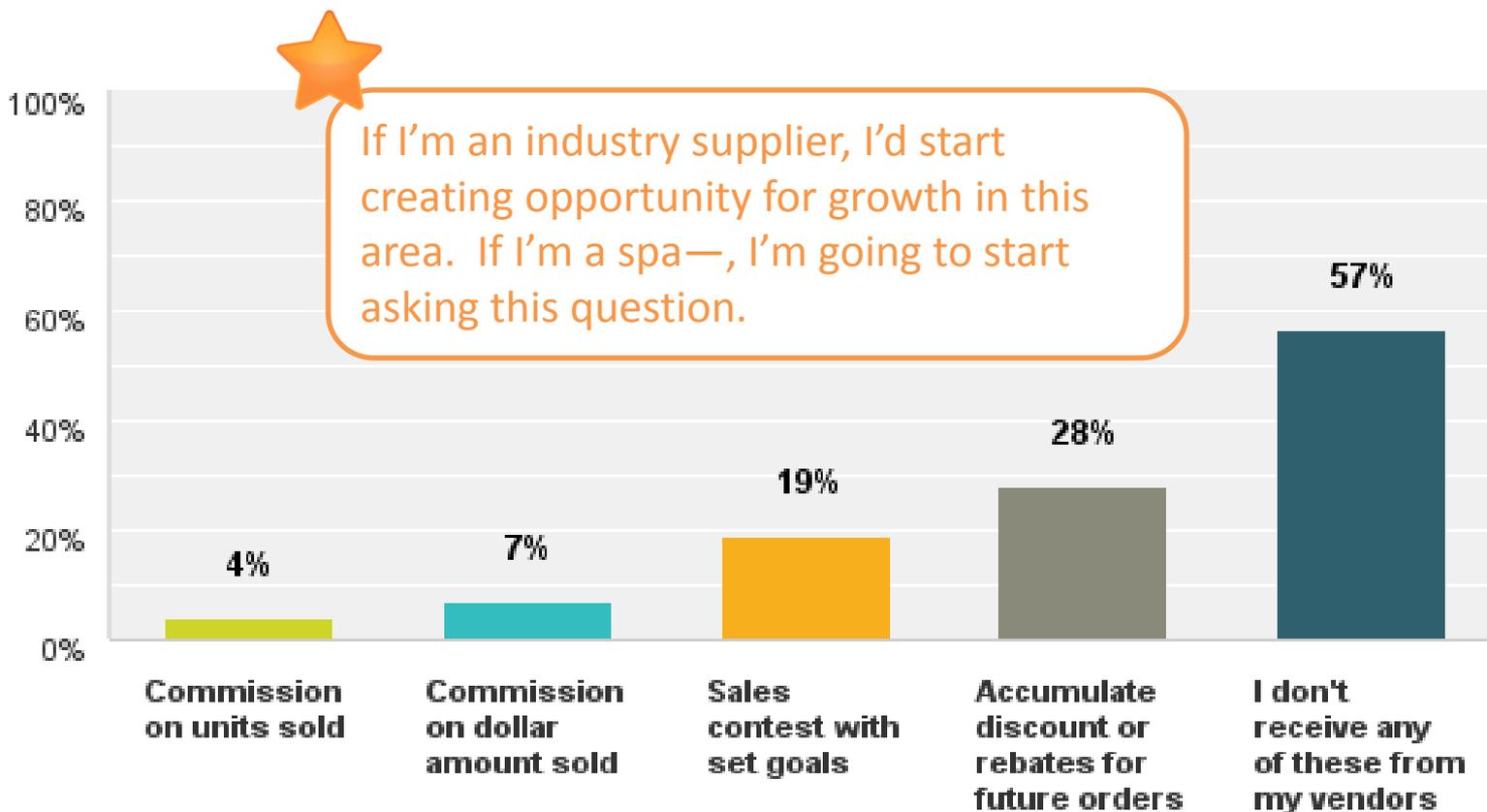


Retail sales as a percentage to service are improving. This indicates improving retail sales. There appears to be a significant opportunity for growth. Many spas ask employment candidates about their retail experience during the interview process.

If you pay commissions on retail sales, what is the percentage commission you pay based on selling price?

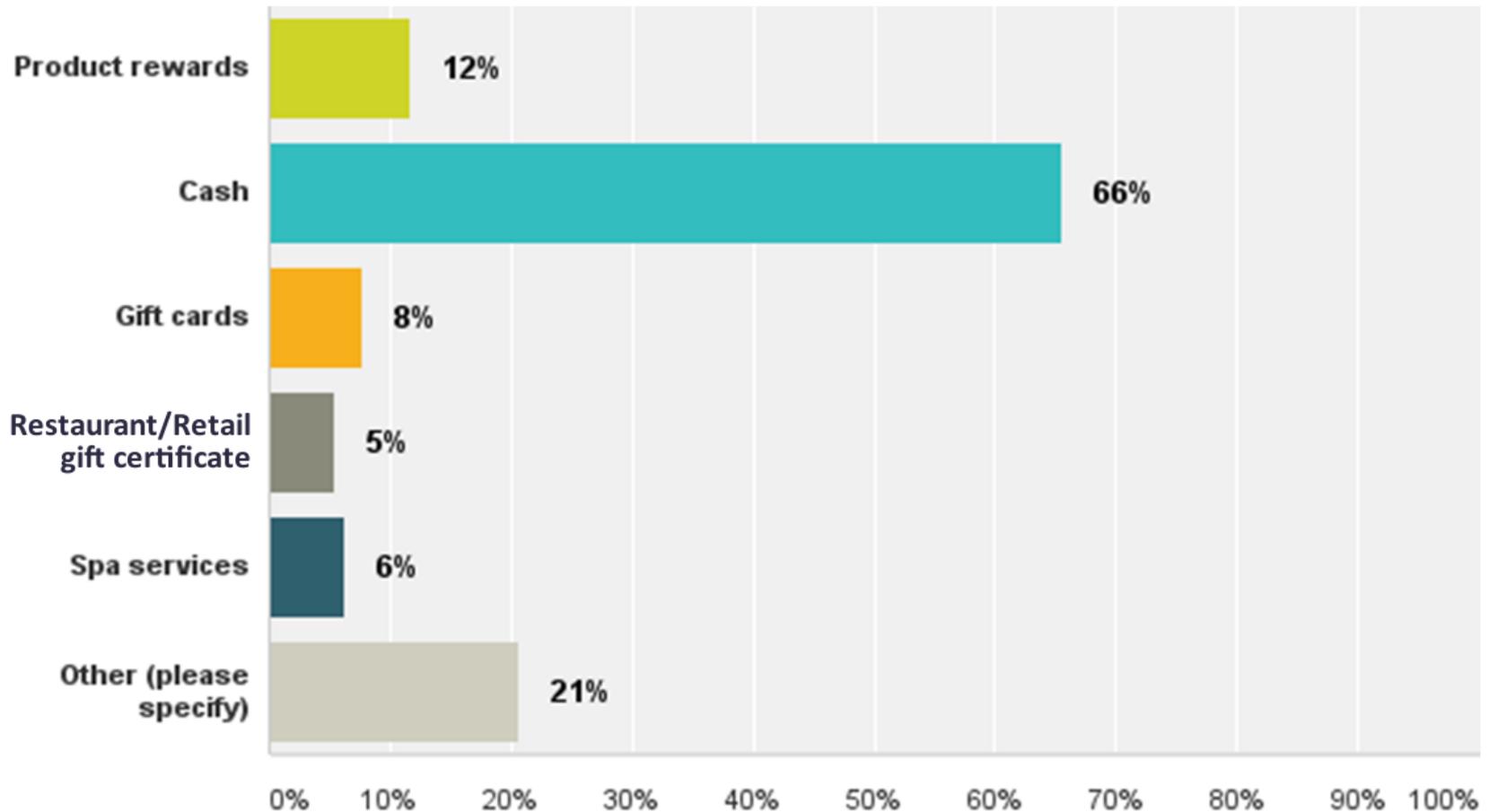


Do your vendors provide you with any of the following sales incentives?



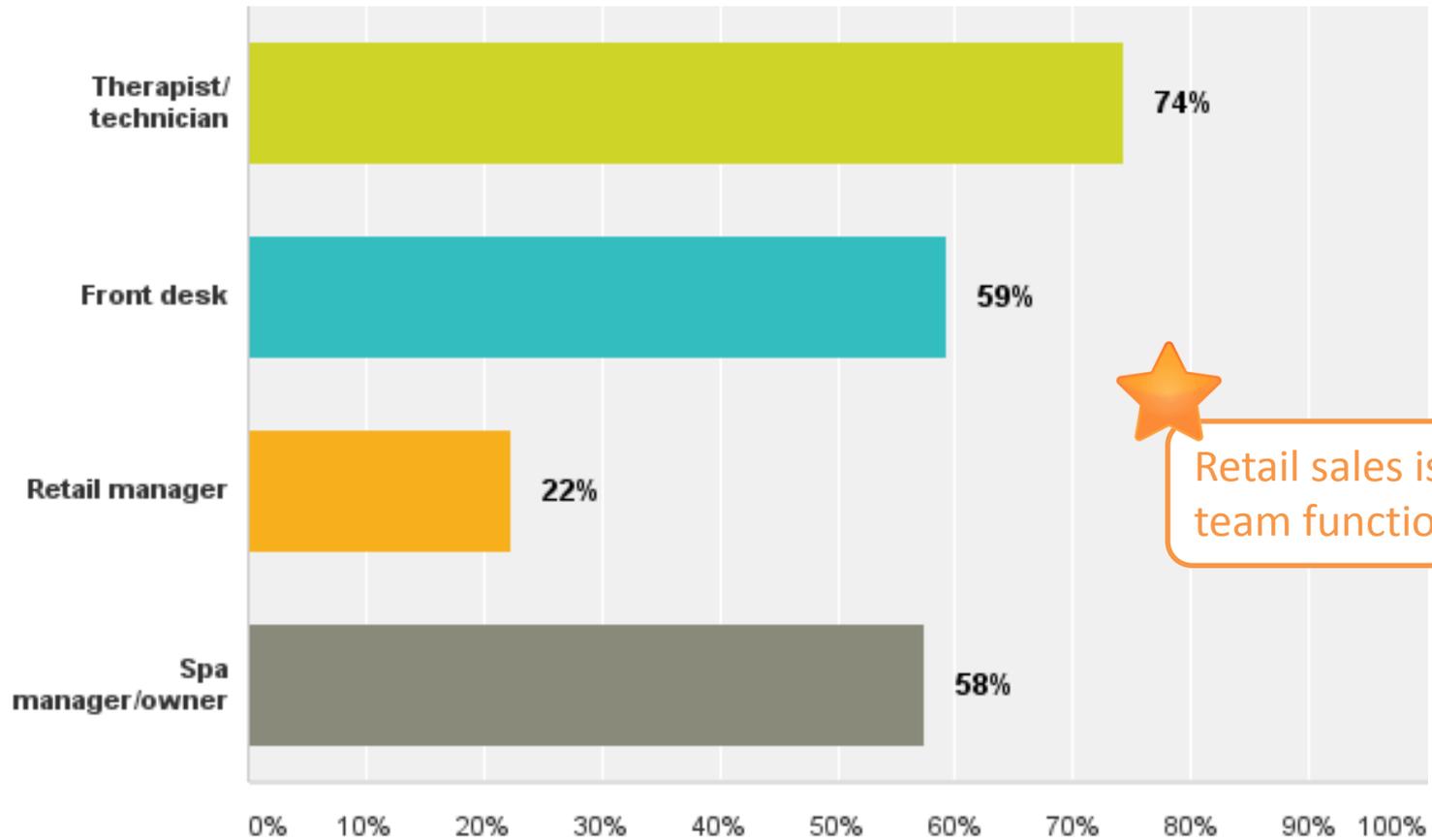
57% of the respondents report that they do not receive sales or purchase incentives from their vendors.

For commission payment, what does your staff prefer?



Cash continues to be the favorite commission payment.

Which staff positions sell retail product?



Retail sales is a team function

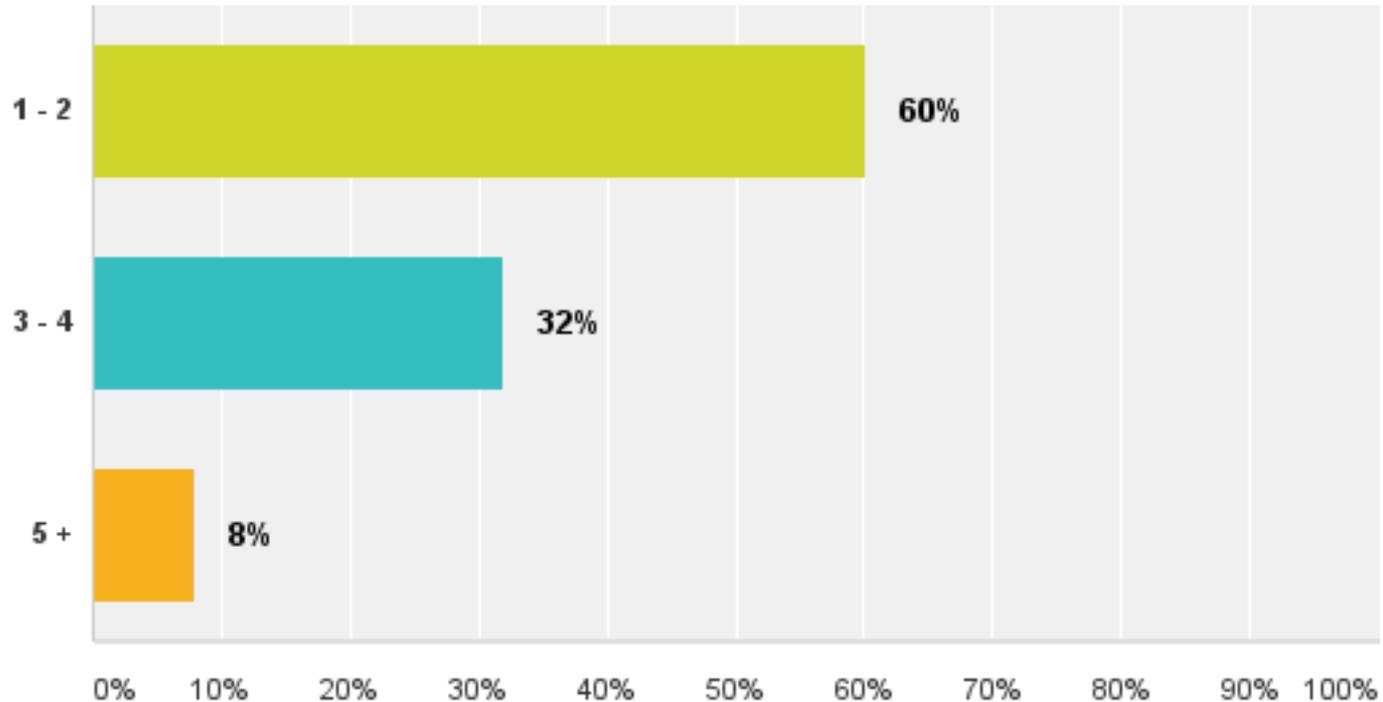
Which categories of retail do you carry?



Our findings support a growing variety of retail items.

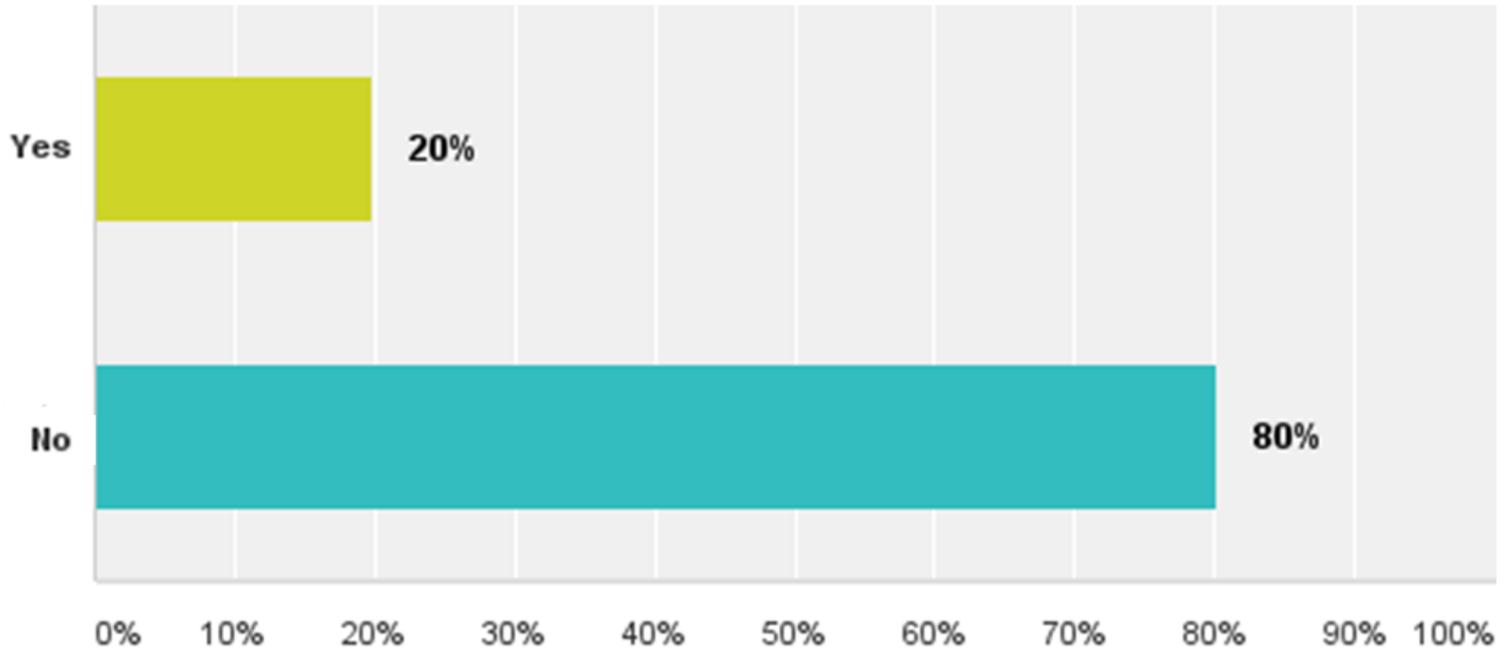
New categories added to this report: beverages, accessories, boutique items, nail care, massage tools.

How many brands of skin care do you sell, not including private label?



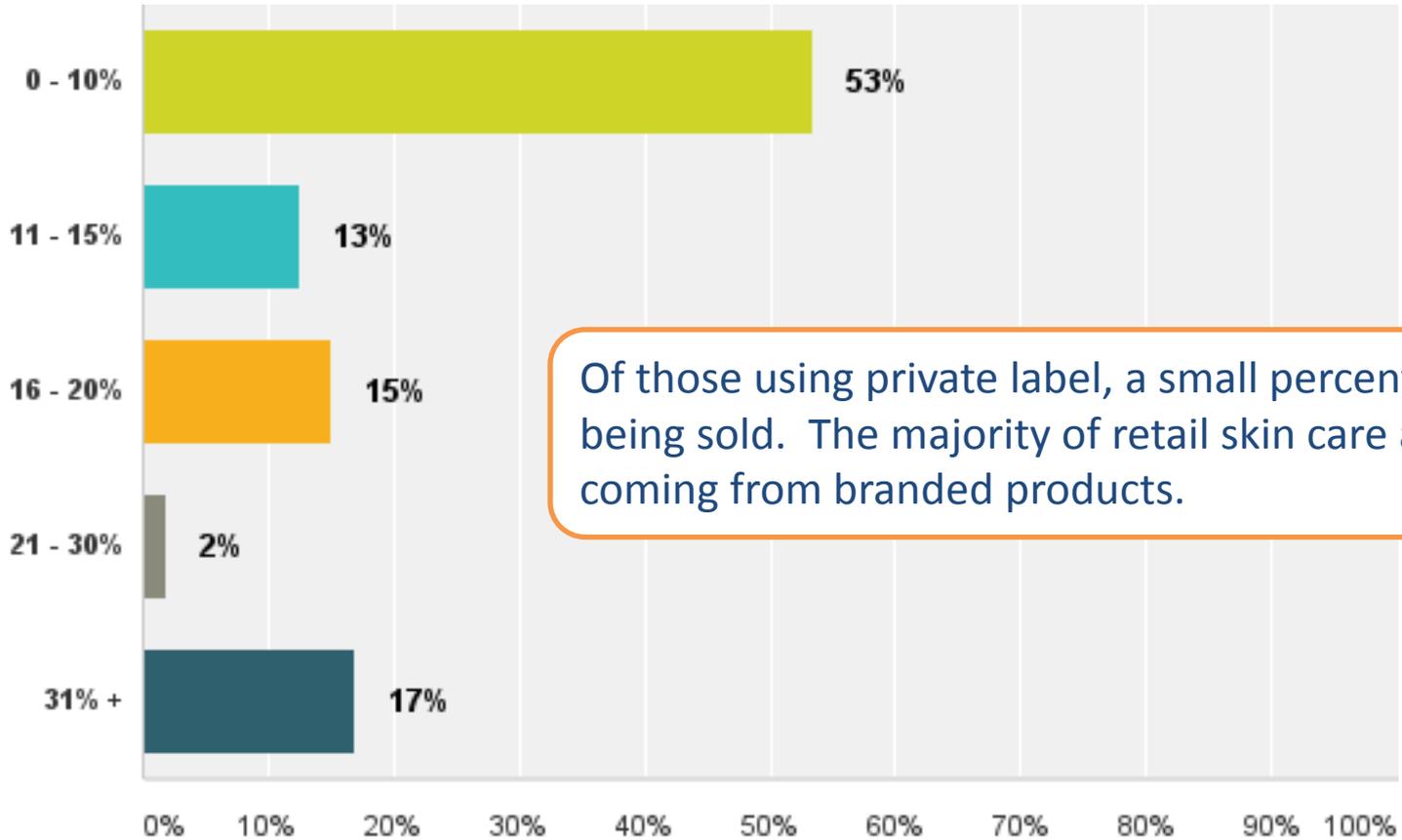
Data shows 60% offer 1-2 skin care lines.

Do you offer private label skin care for retail sale?



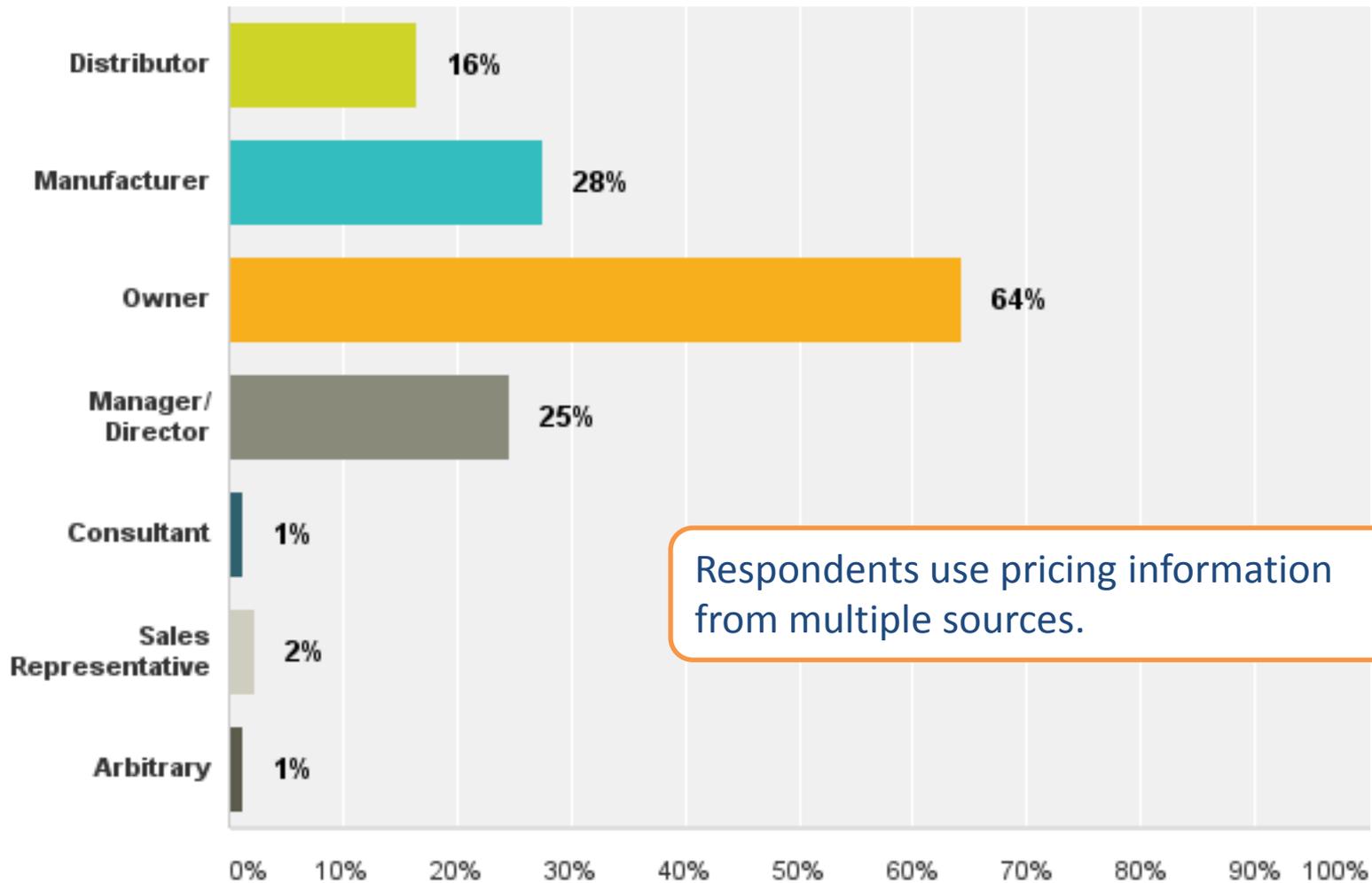
Less than 20% are utilizing private label.

If yes, what percentage of your skin care retail sales come from private label?

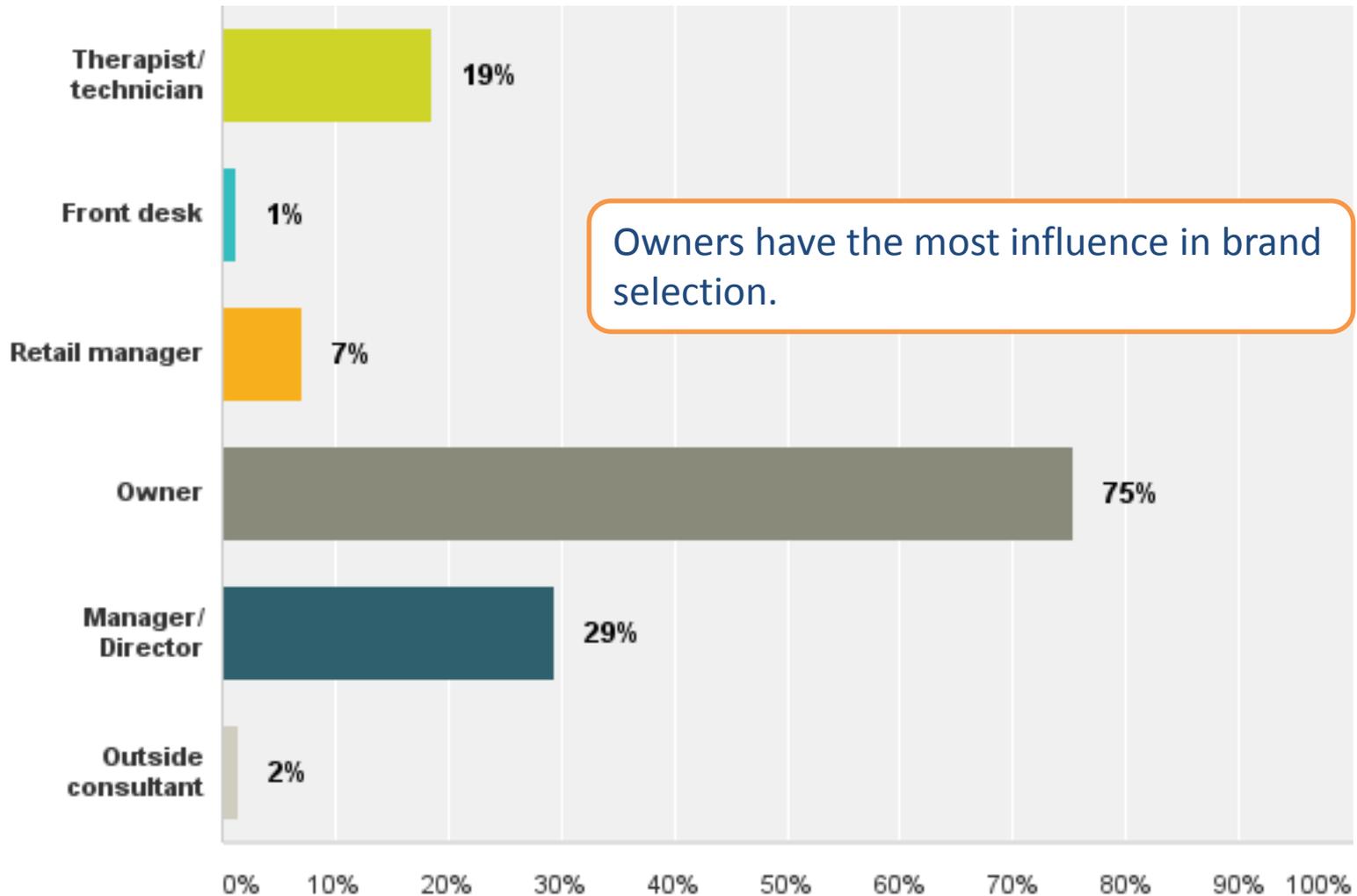


Of those using private label, a small percentage is being sold. The majority of retail skin care are still coming from branded products.

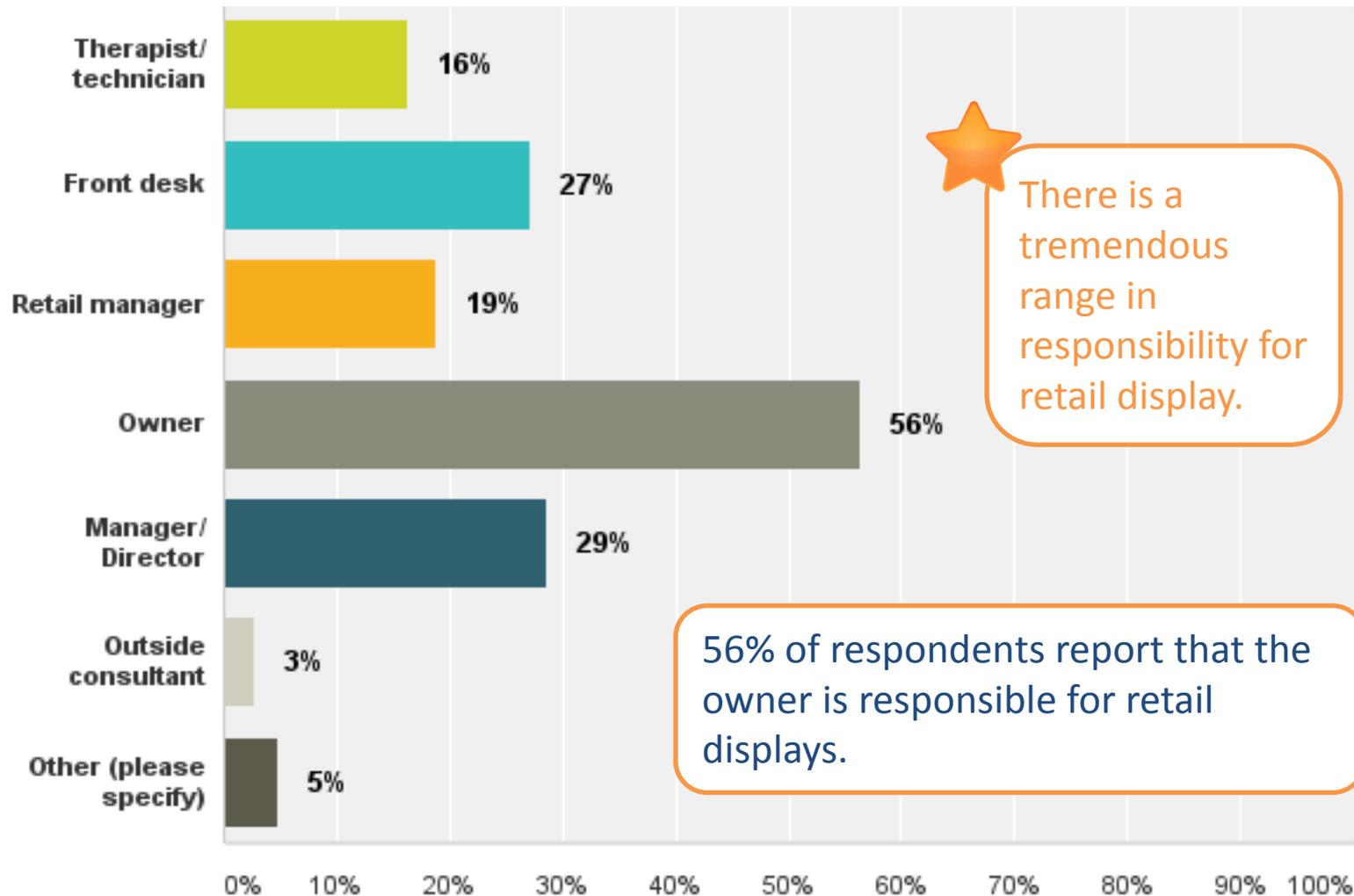
Who is responsible for determining the retail price of an item?



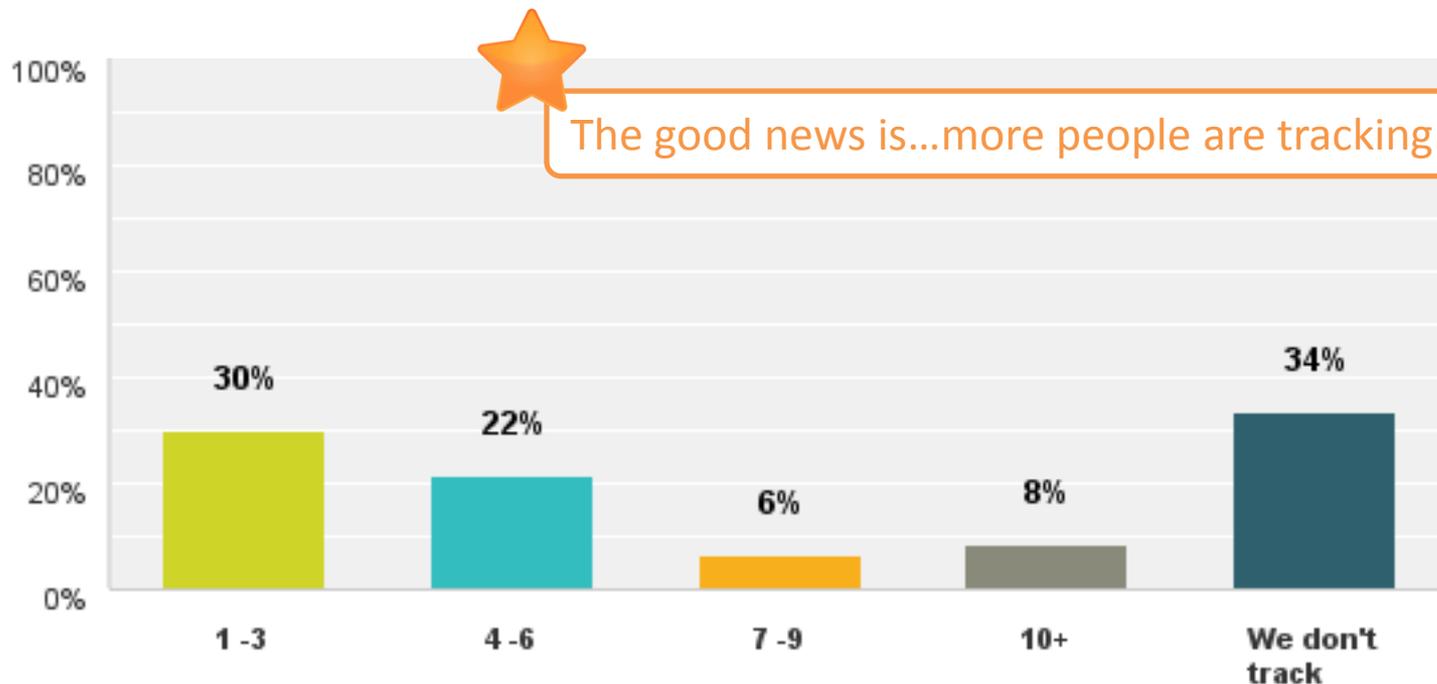
Who decides which brands to offer in your facility? (back bar and retail)



Who is responsible for making retail displays?

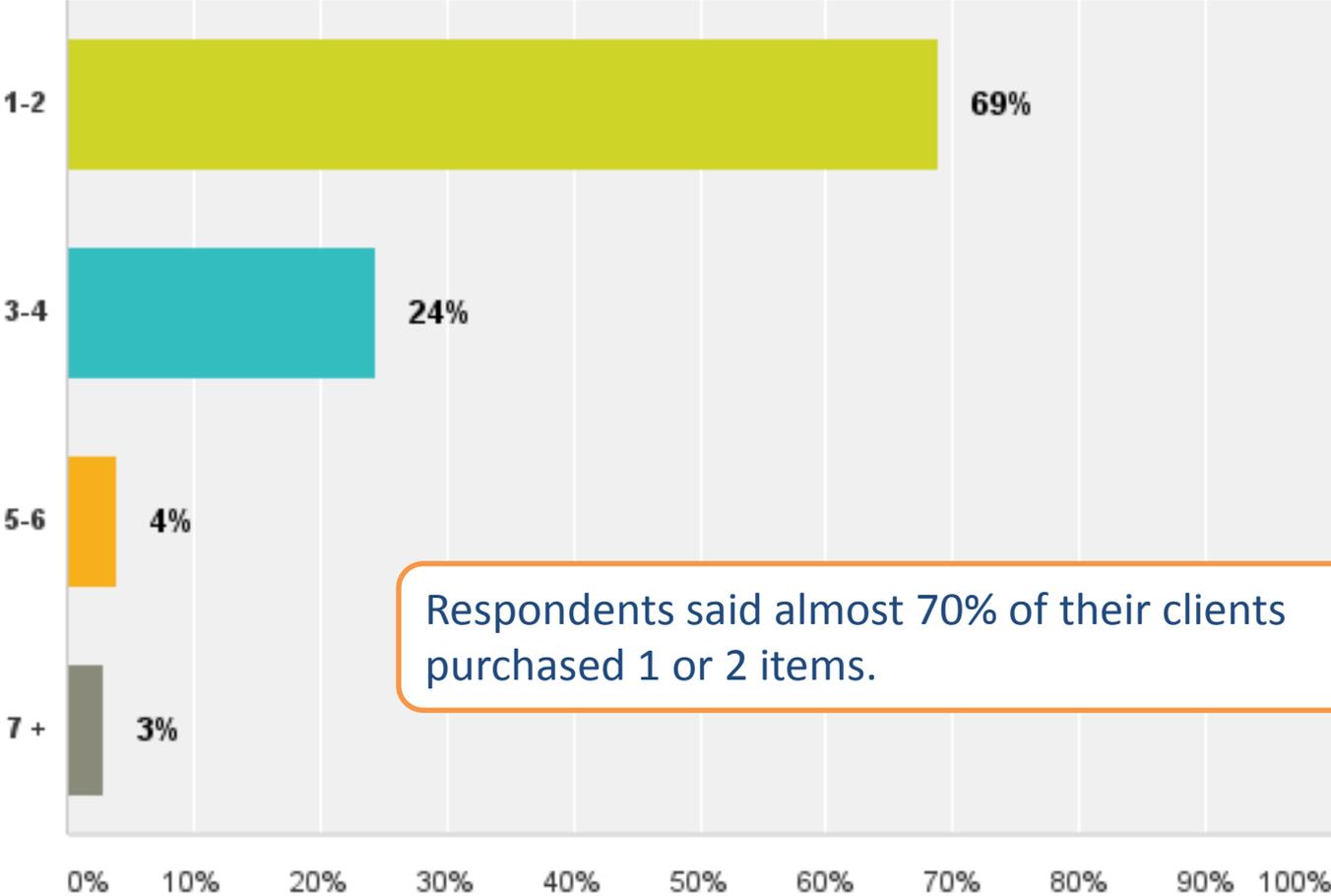


How many retail inventory turns does your facility have per calendar year?

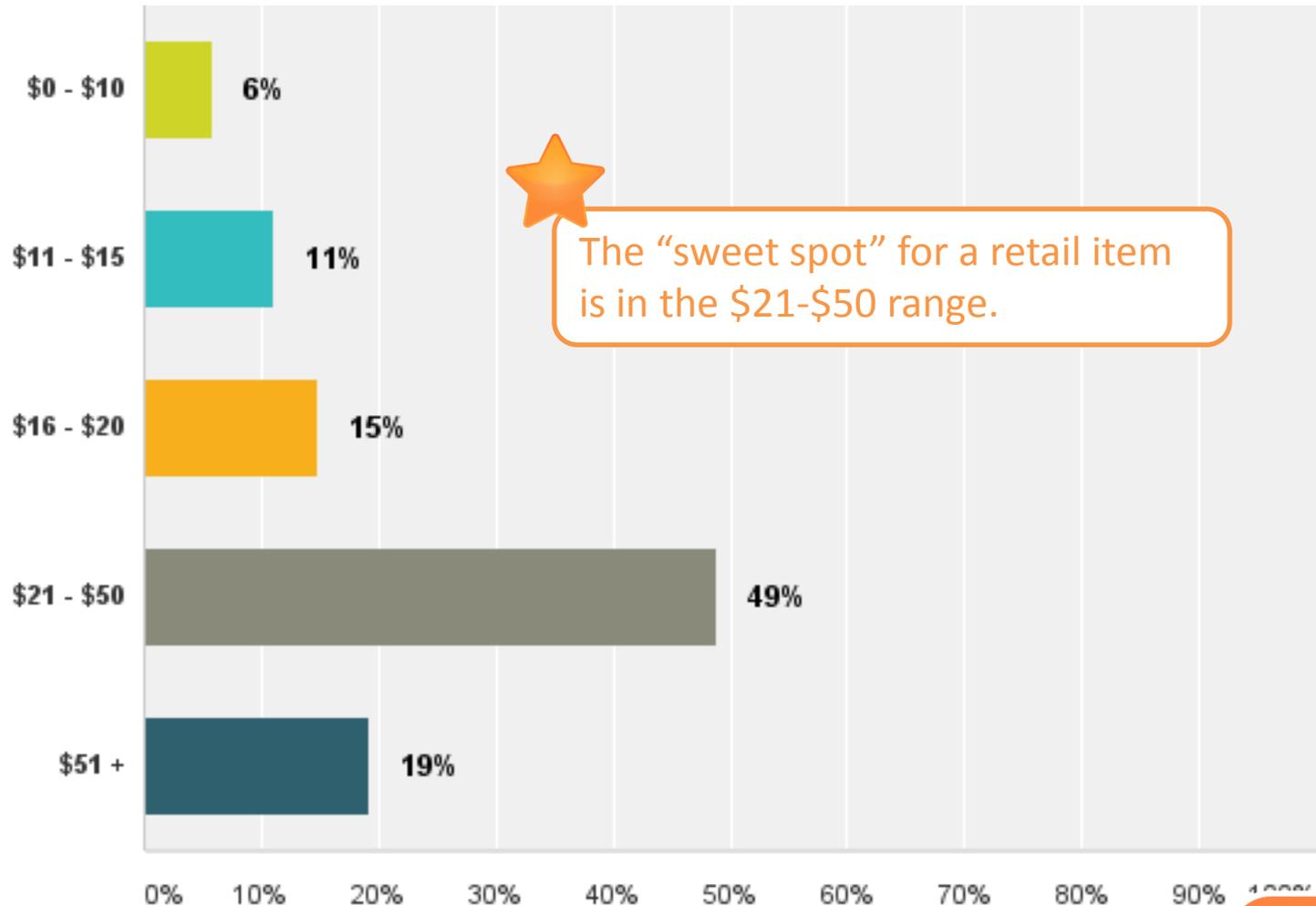


In the previous report, 40% responded they didn't track inventory turns.

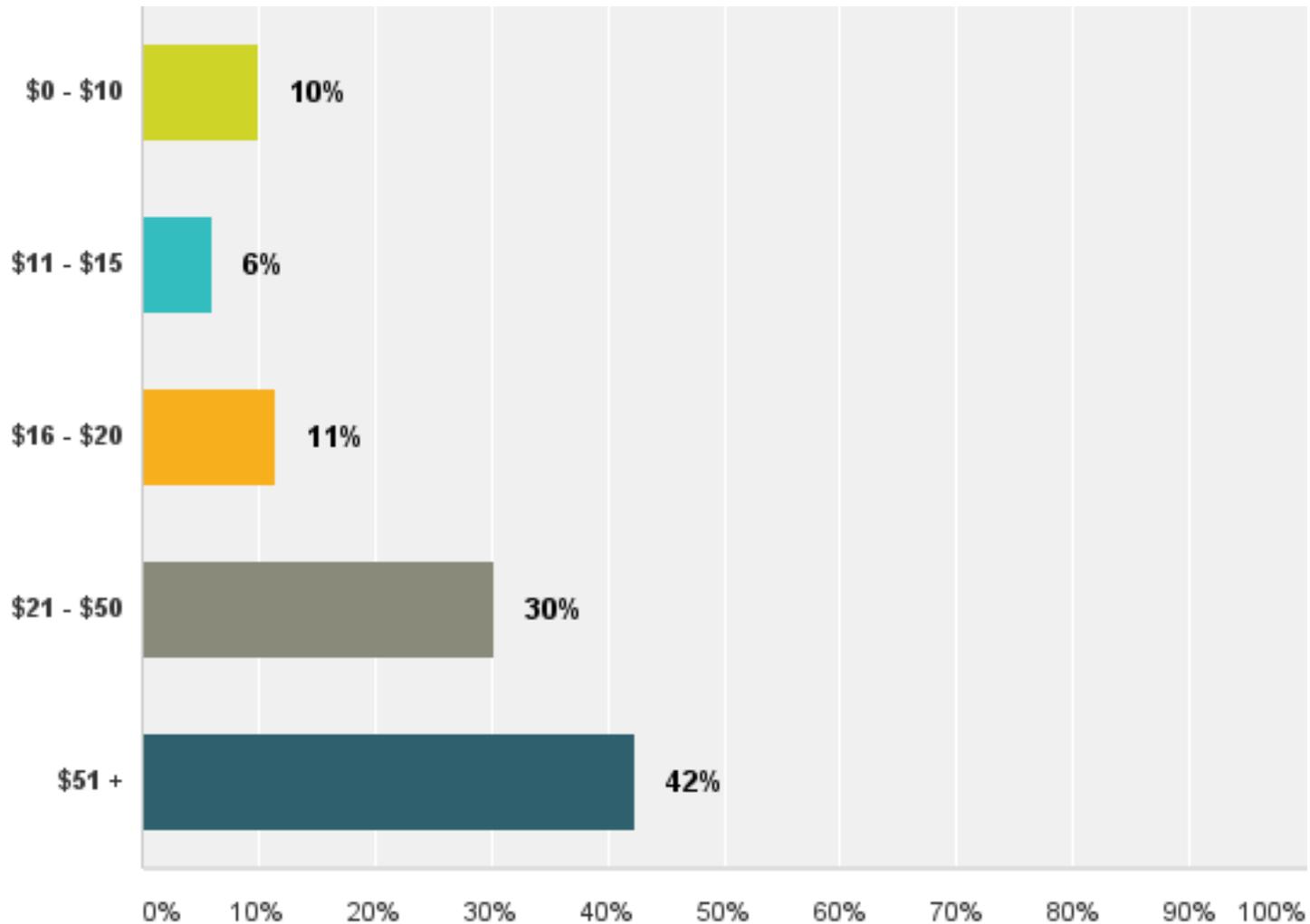
What is the number of retail units sold on the average sale?



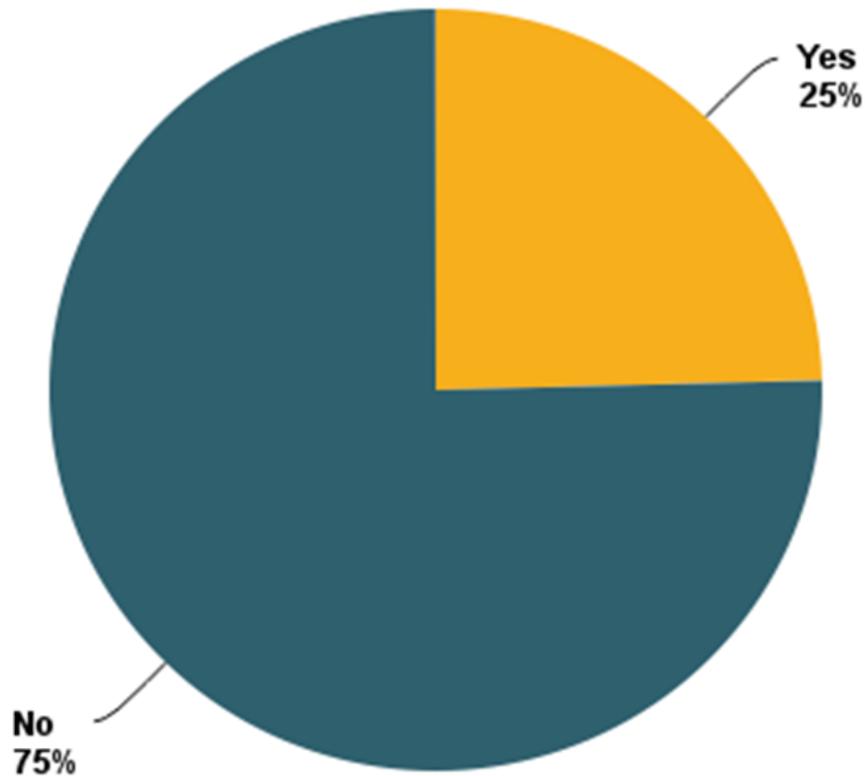
What is the average dollar amount your client pays for a single retail product?



What is the average retail amount a client spends during a visit to your facility?



Do you sell retail on your website?



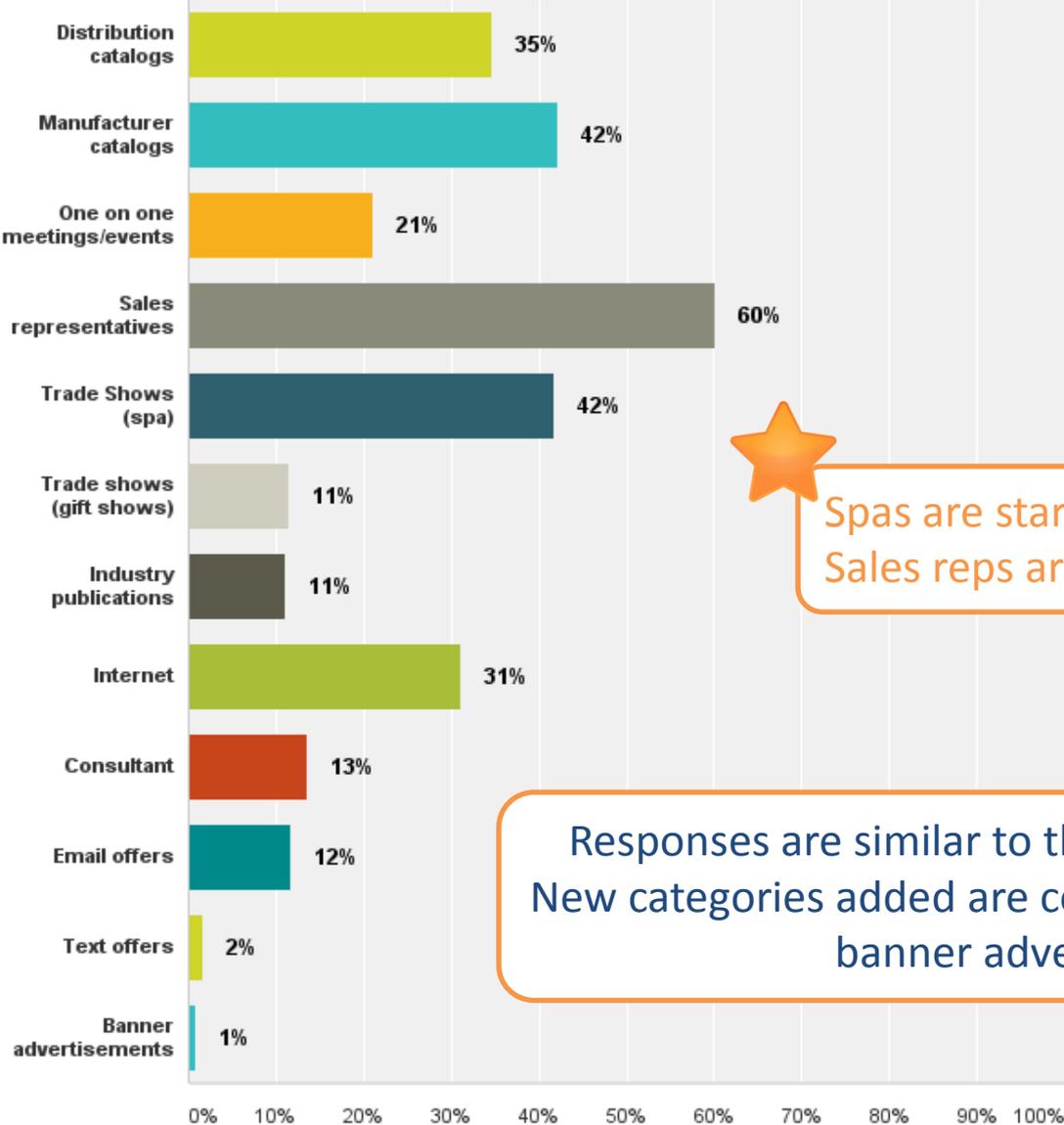
There is a significant increase in online retail sales. In the previous retail survey, 15.2% sold retail on their website, compared to the 25% on this survey.

If yes, what percentage of your retail sales are generated from your website?



85% of respondents indicate that between 0-10% of retail sales are generated from their website.

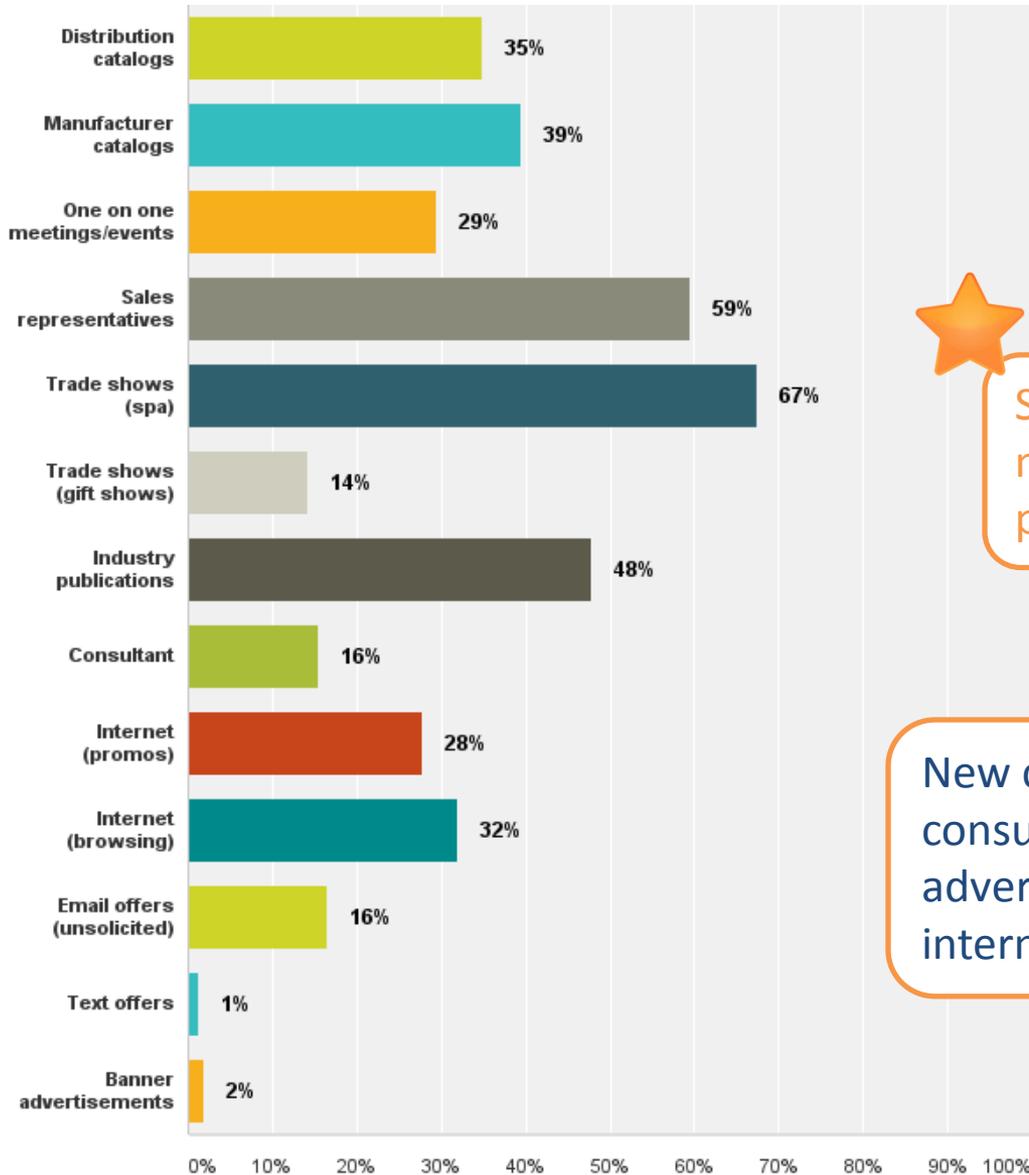
Where do you purchase your retail products?



Spas are starting to attend gift shows. Sales reps are still a dominant force.

Responses are similar to the data in the last report. New categories added are consultant, email offers, and banner advertisements

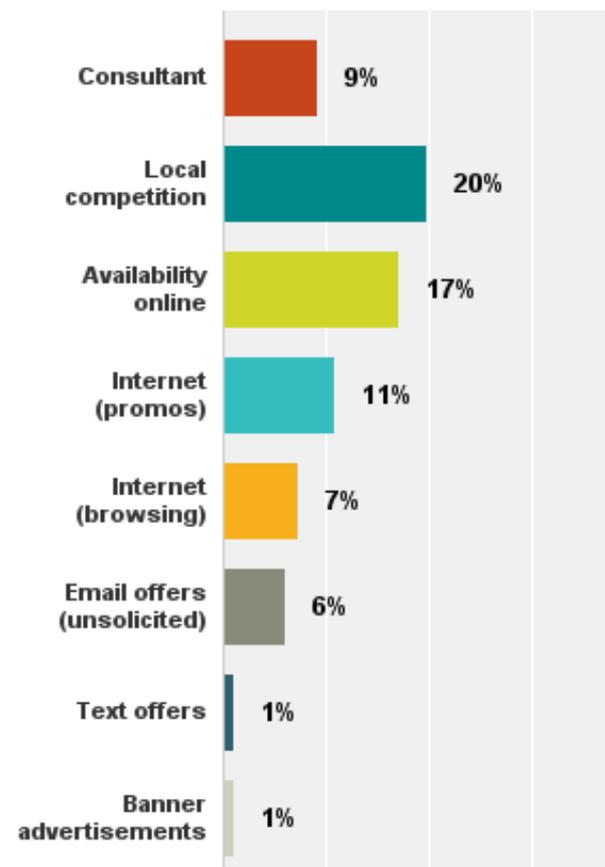
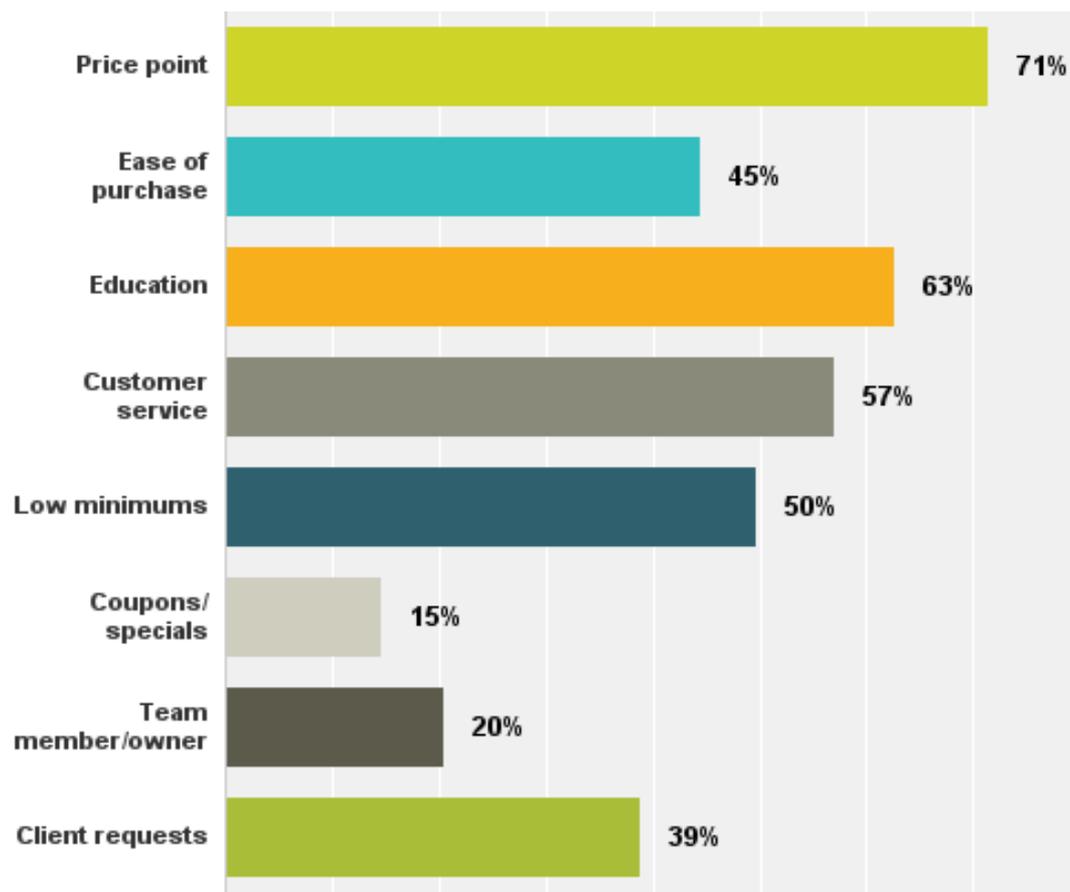
How do you find out about new retail products?



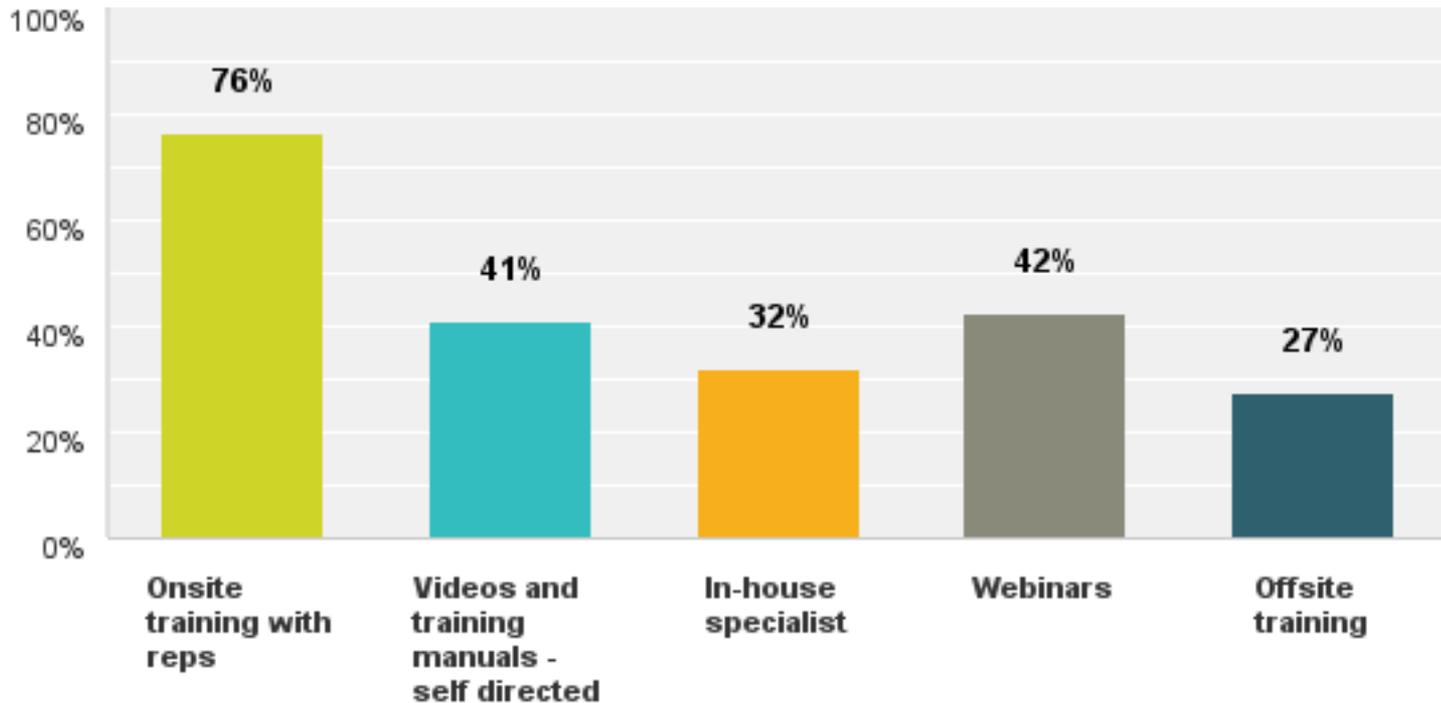
Spas are utilizing multiple methods for sourcing new products.

New categories added are consultant, text offers, banner advertisements, and split internet into two categories.

What factors influence your retail purchasing decisions?

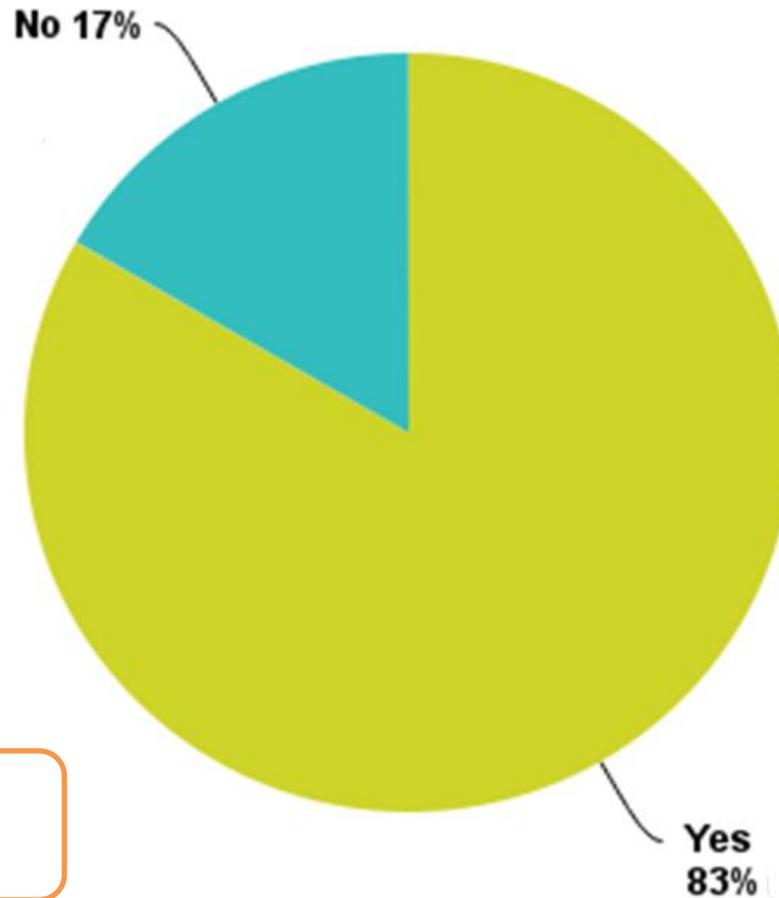


What methods do you prefer for staff education on retail products?



The use of webinars has grown by 6% since the previous survey.

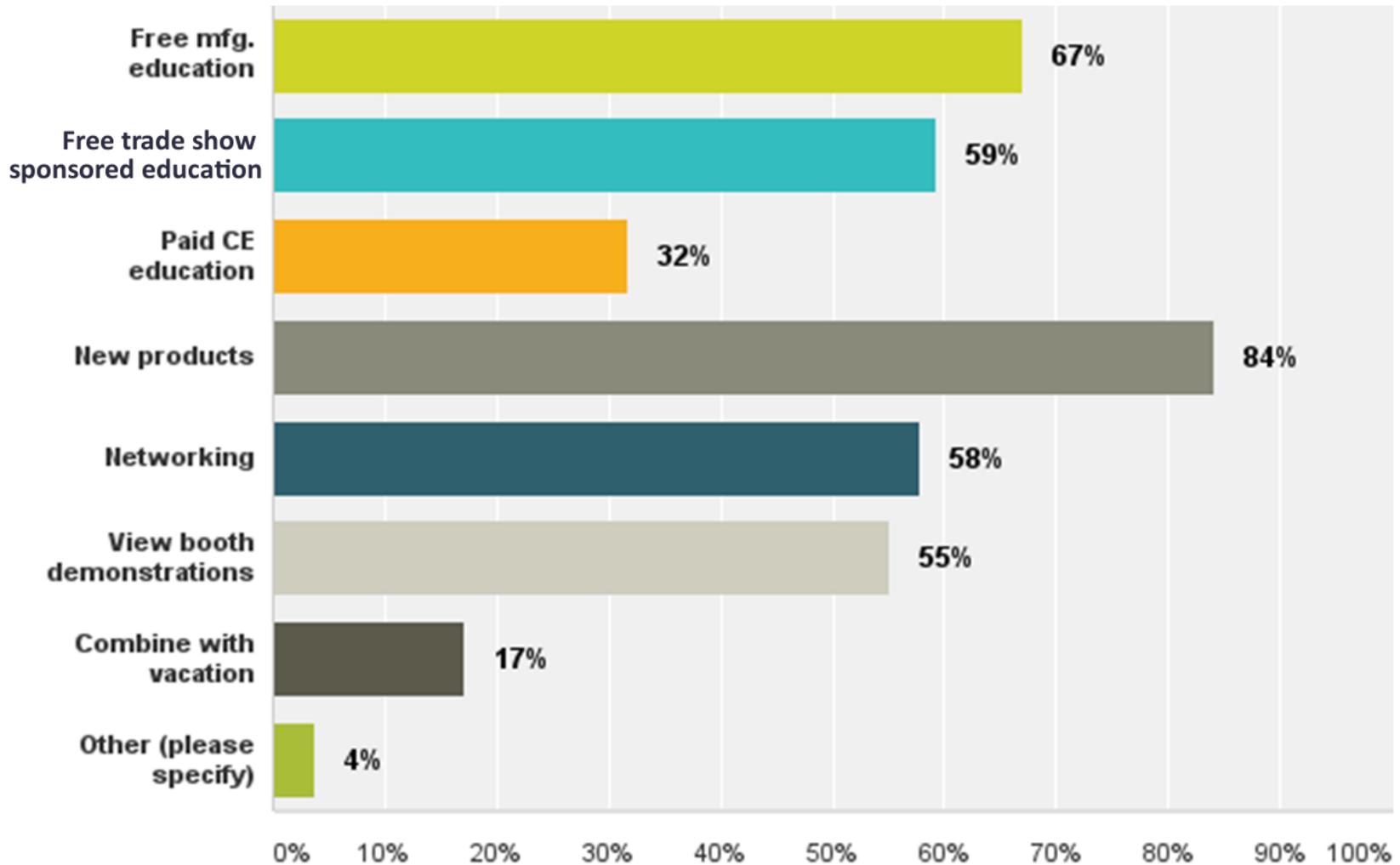
Do you attend trade shows?



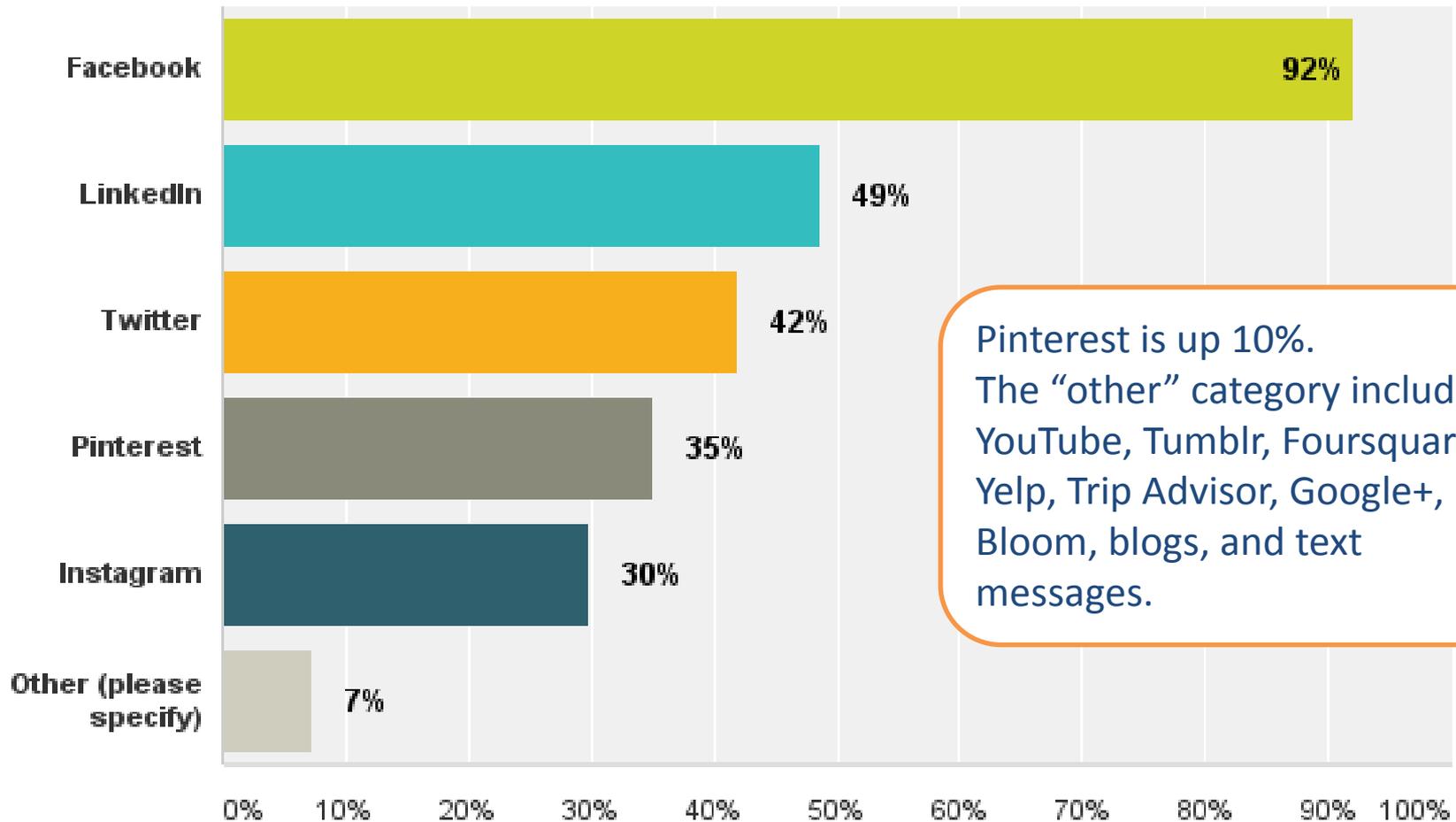
Trade show attendance is up.

In the previous survey, 78% responded "Yes".

If yes, why do you attend trade shows?



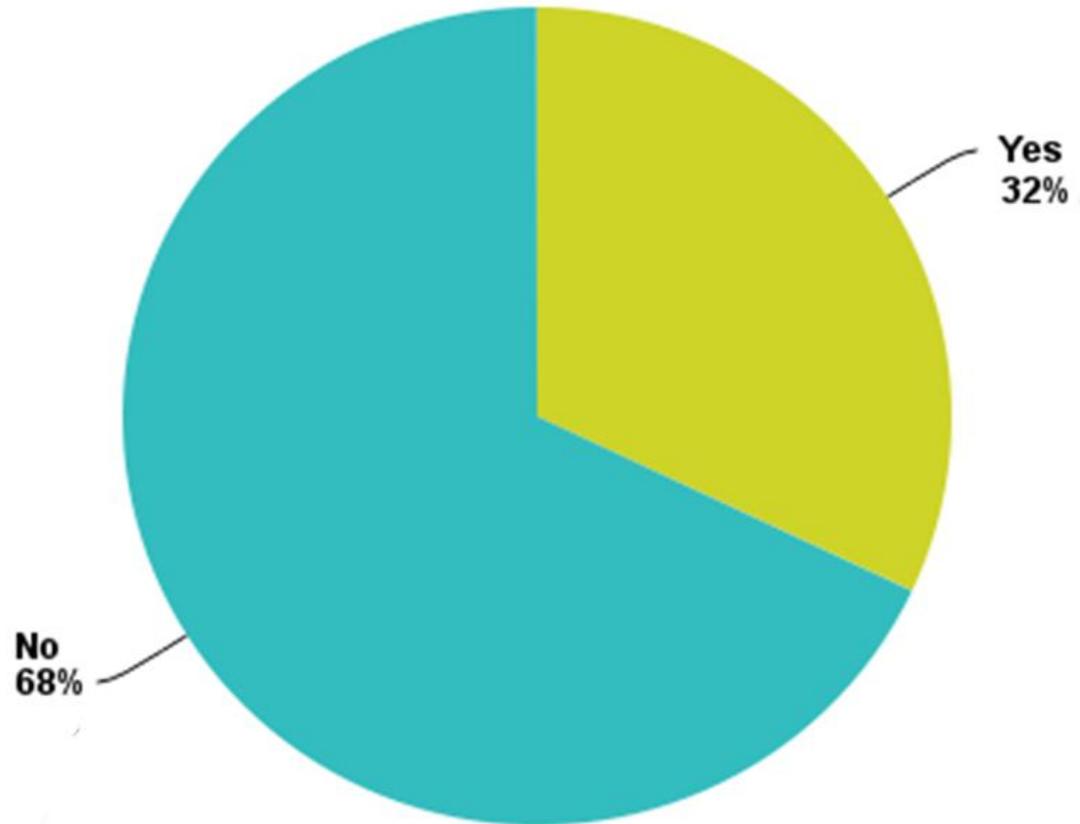
Which social media sites are you currently using?



Pinterest is up 10%.
The "other" category includes:
YouTube, Tumblr, Foursquare,
Yelp, Trip Advisor, Google+,
Bloom, blogs, and text
messages.

In the last 12 months, have you ever offered a daily deal program? (Groupon, Living Social, etc.)

The majority of respondents are not offering daily deals.

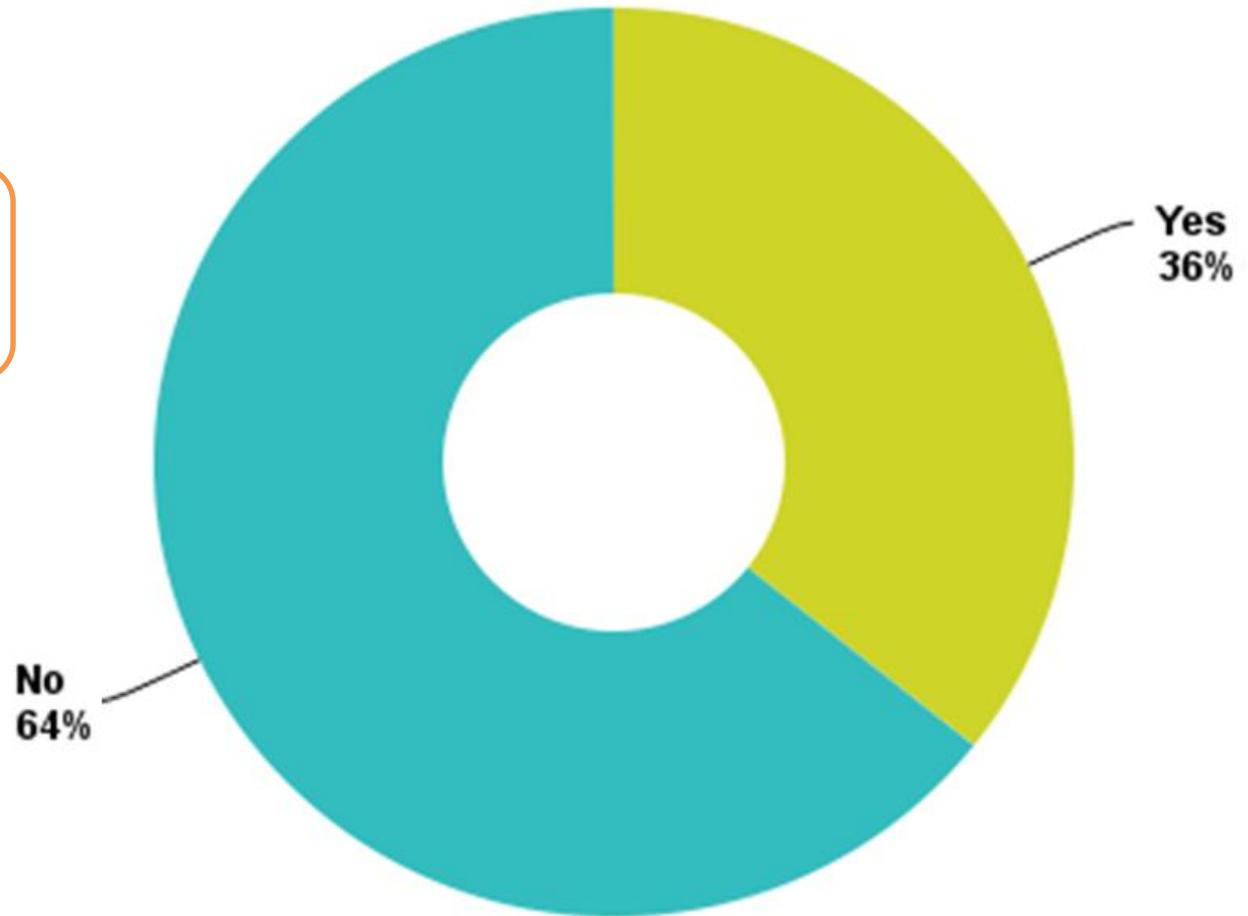


If you answered yes, would you consider it successful?

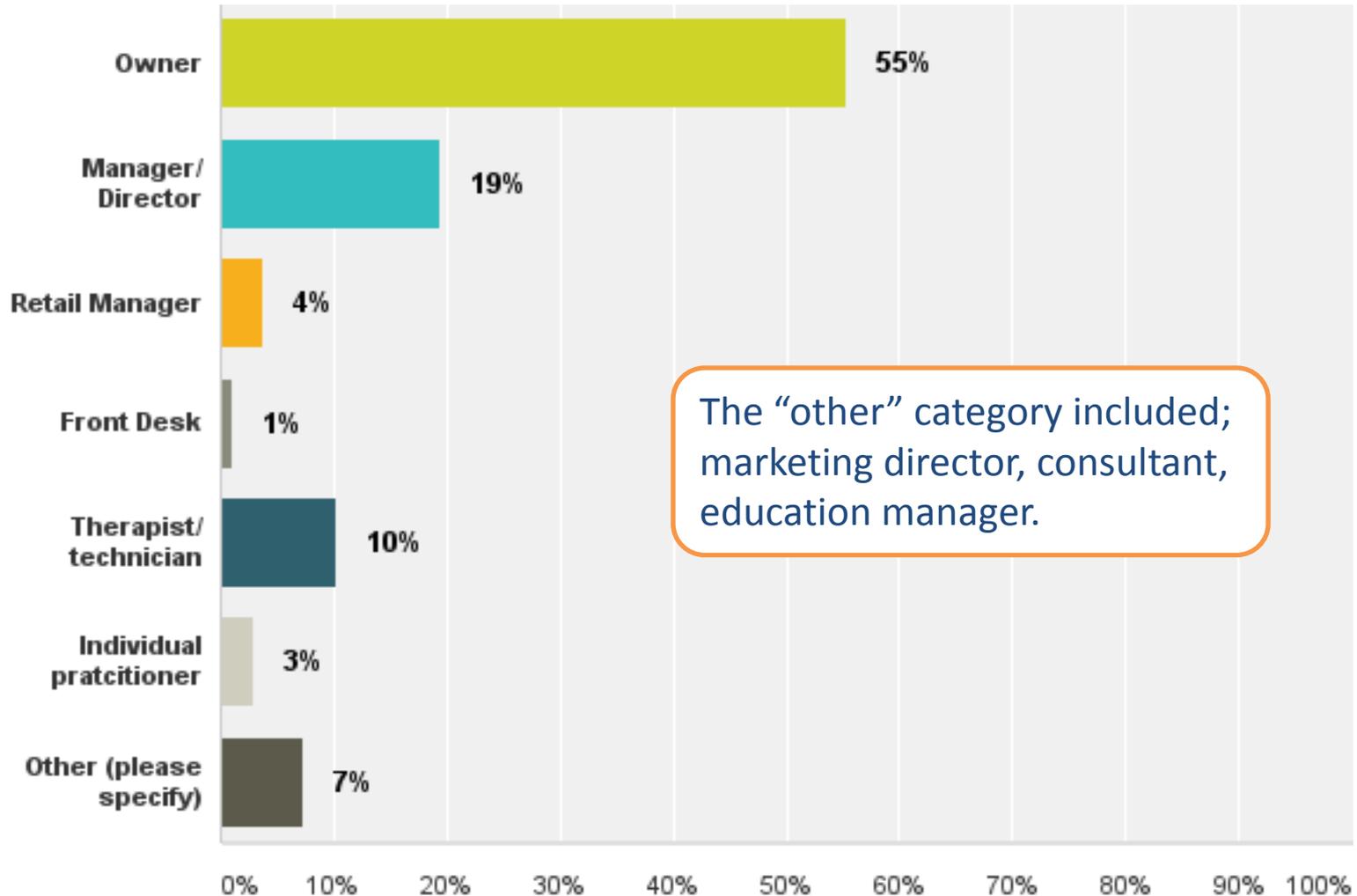


Would you participate in a daily deal again?

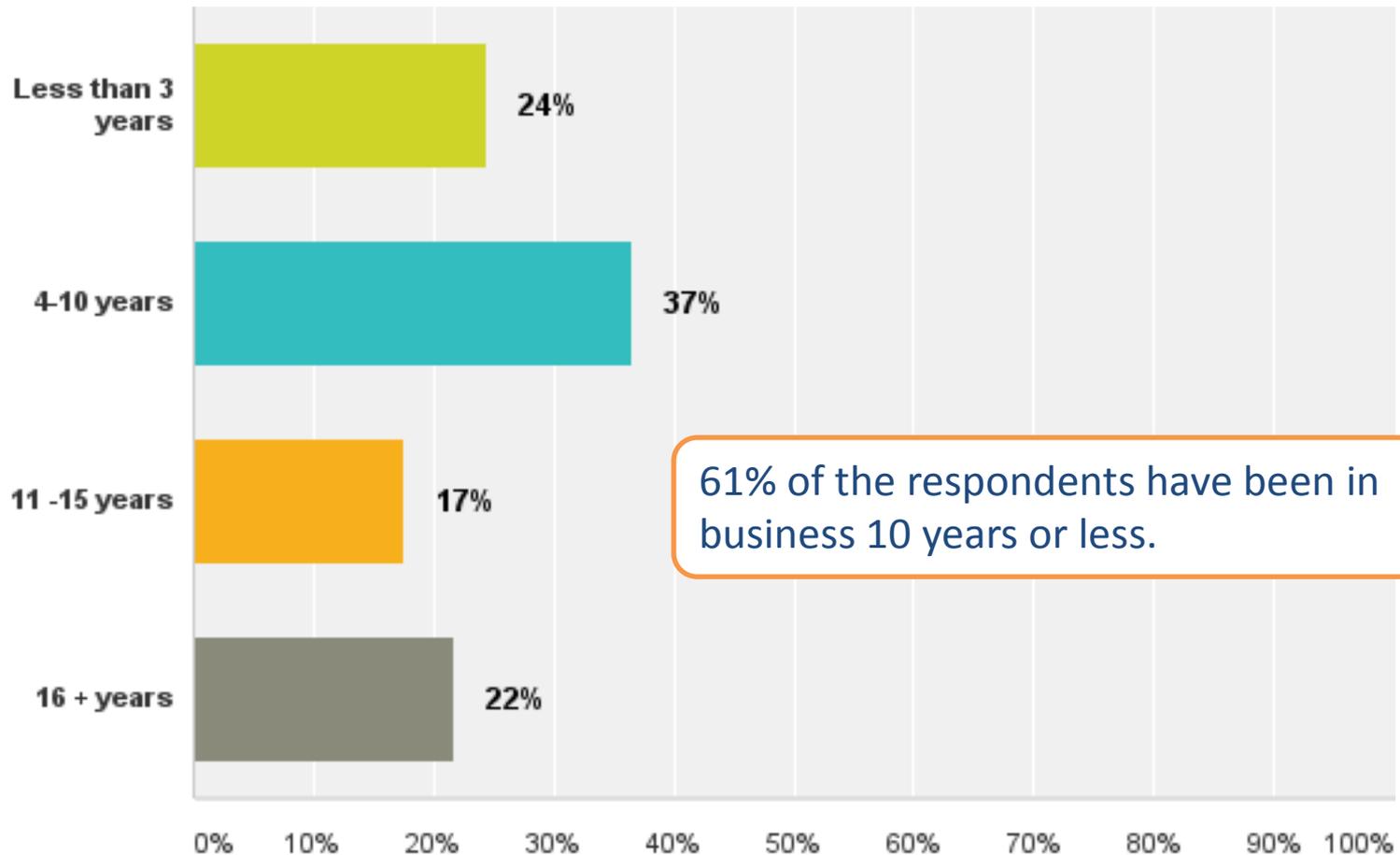
Of those who have done a daily deal, most won't repeat it.



As the person filling out the survey, what is your title?

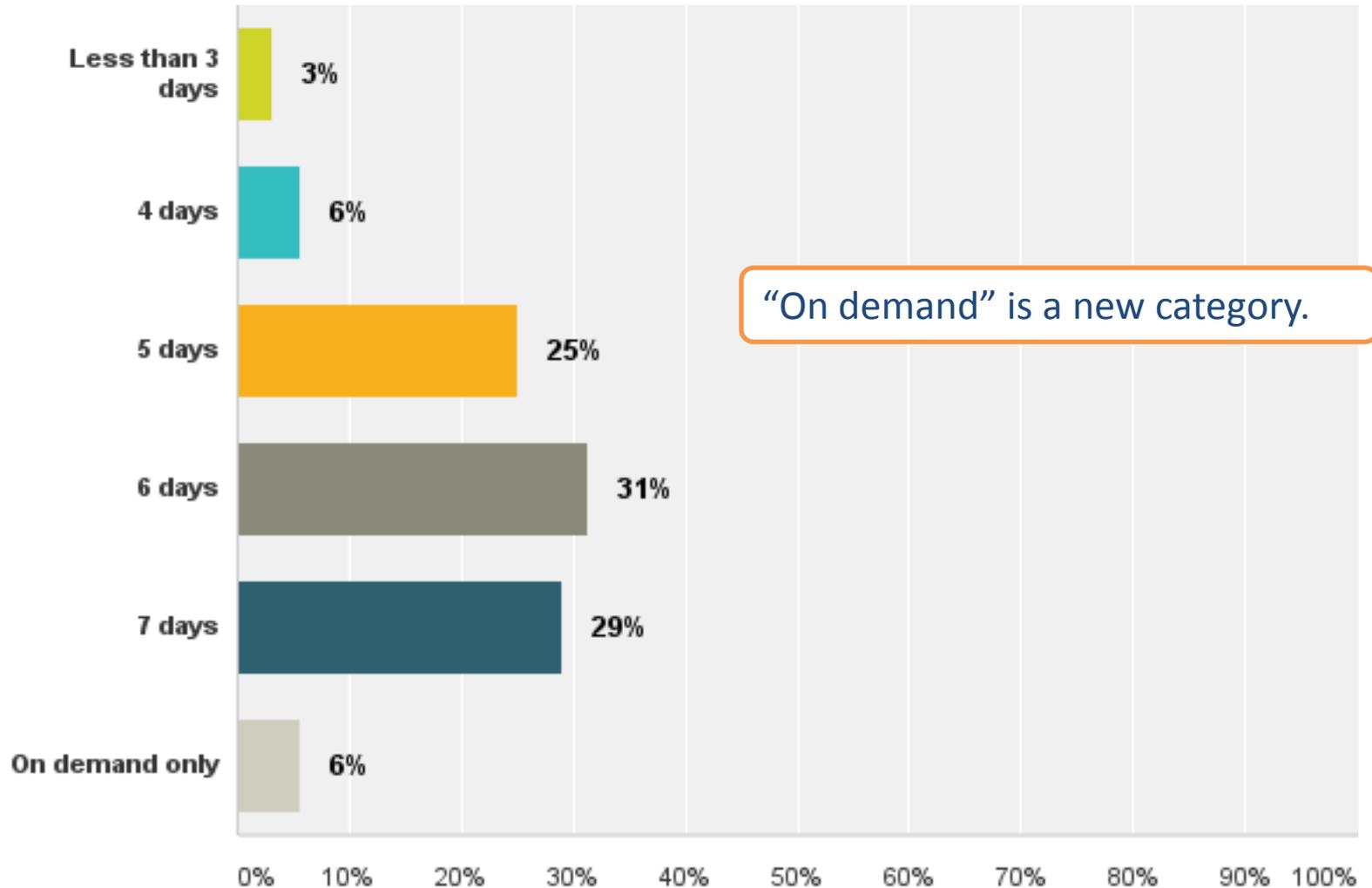


How many years has your facility been in business?

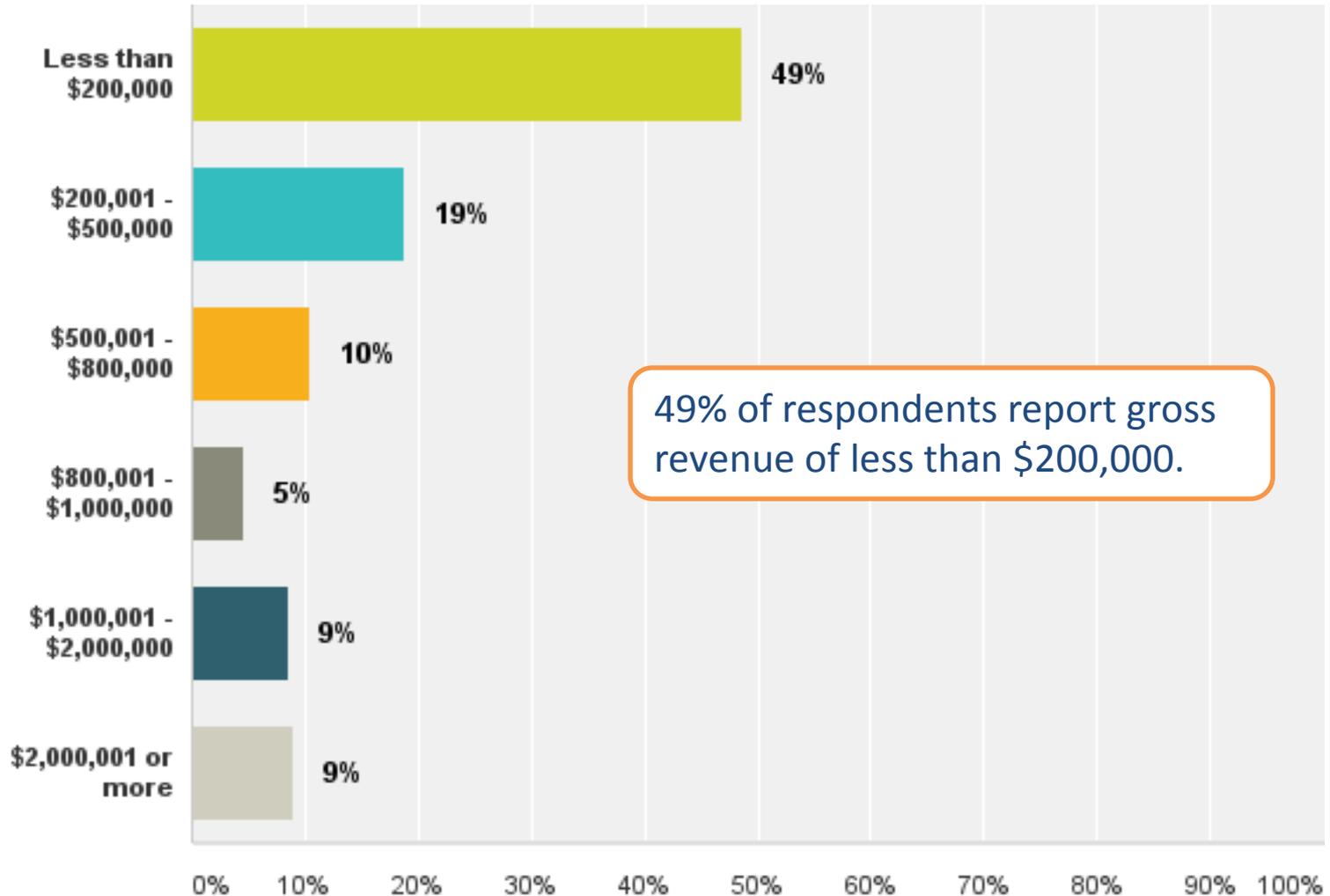


61% of the respondents have been in business 10 years or less.

How many days of the week are you open?

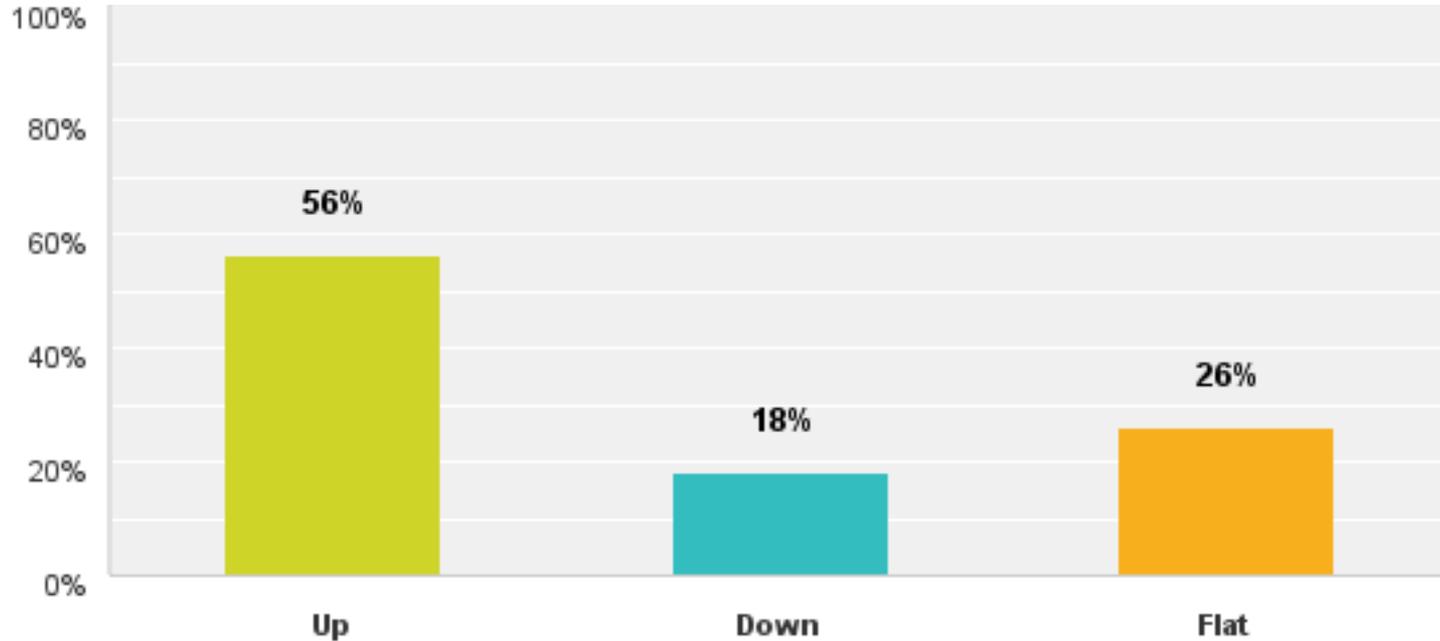


What was your gross revenue last year (not including gift certificates)?



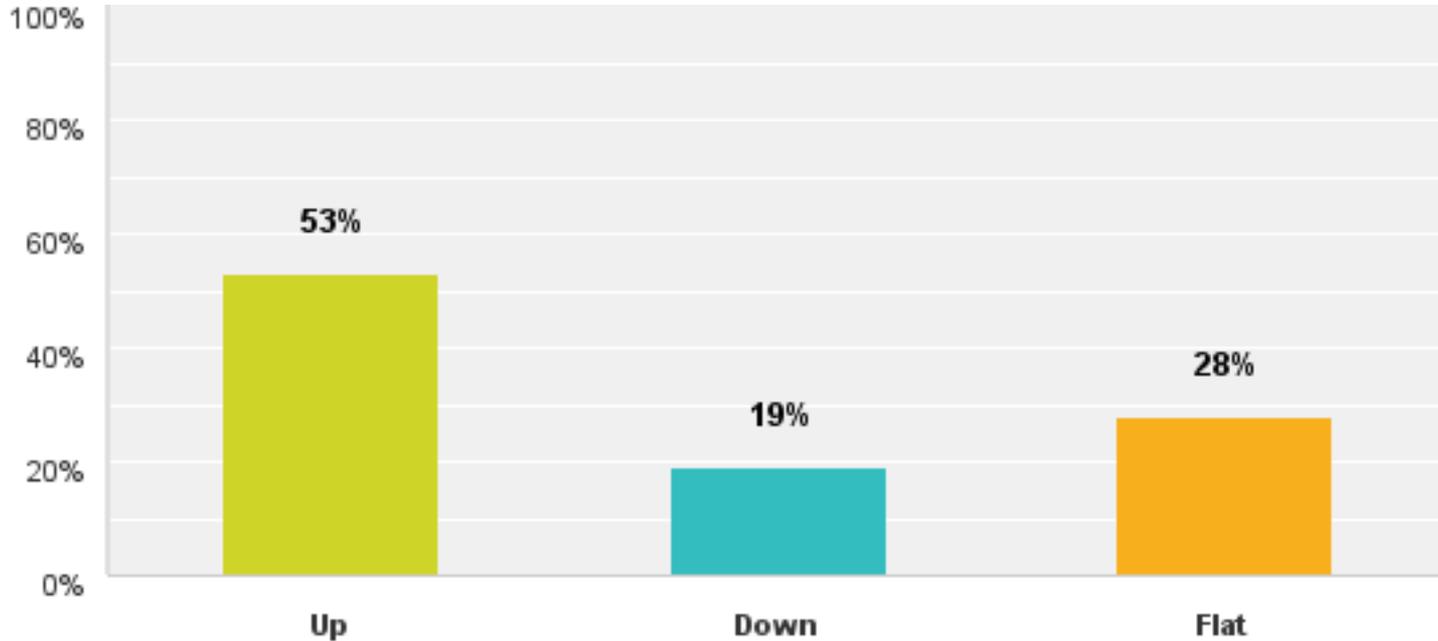
49% of respondents report gross revenue of less than \$200,000.

Is your gross revenue up, down or flat this year?



56% of respondents report an increase in gross revenue.

Are your retail sales up, down or flat this year?



53% of respondents report an increase in retail sales.

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