

# US Spa Industry Study

U.S. Spa Industry

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This is a summary of the findings from the 2015 U.S. Spa Industry Study. The study was commissioned by the International SPA Association (ISPA) Foundation and undertaken by PricewaterhouseCoopers International Survey Unit. The study presents a picture of the spa industry in 2014.

## The industry in 2014: Performing Strongly

The U.S. economy continued to gather momentum in 2014 across a range of indicators. As measured by the Gross Domestic Product (GDP), the growth in the level of economic activity nationwide picked up from 1.5% in 2013 to 2.4% in 2014. The uptick in economic activity was most evident in the labor market, with employment rising strongly and unemployment continuing to fall.

Against that backdrop, the more buoyant national economic climate was reflected in the strong performance of the U.S. spa industry over the course of 2014. Total revenue is estimated to have passed the \$15 billion mark in 2014, up from \$14.7 billion in 2013 to \$15.5 billion in 2014 (+5.3%). The increase in spa revenues was driven by strong growth in the number of spa visits, estimated to have increased to a record high of 176 million in 2014, up from 164 million in 2013 (+6.7%).

	2013 (Year End)	2014 (Year End)	% Change
Revenue	\$14.7 billion	\$15.5 billion	5.3%
Spa Visits	164 million	176 million	6.7%
Locations	20,180	20,660	2.4%
Revenue per visit	\$89	\$88	-1.3%
	2014 (May)	2015 (May)	% Change
Total Employees	349,900	360,000	2.9%
Full-Time	148,300	153,800	3.7%
Part-Time	157,000	164,500	4.8%
Contract	44,600	41,700	-6.5%

As the increase in visits outpaced the rise in spa revenues, there was a slight decline in average revenue per visit, from \$89 in 2013 to \$88 in 2014 (-1.3%). The total number of spa locations rose from 20,180 in 2013 to 20,660 in 2014 (+2.4%). In net terms, almost 500 new spa locations were added in 2014, helping to boost the growth in spa revenues and visits.

Similar to the national picture, employment growth was also robust in the spa sector. Total employment is estimated to have risen to 360,000 as at May 2015, an increase of over 10,000 on the May 2014 total (+2.9%).

Over the 12 months ending May 2015, spas added both full-time and part-time positions. The number of full-time jobs rose by 5,500 while 7,500 part-time jobs were created. In line with recent trends, the rate of growth was faster for part-time positions (+4.8%) than for full-time positions (+3.7%).

The number of independent contractor positions fell over the survey period, from 44,600 to 41,700 (-6.5%). The reduction in the share of employment filled by independent contractors has occurred each year since 2010.

## Profitability

The strong performance of the sector in 2014 was also reflected in improved profitability. Excluding the resort/hotel sector, 73% of spas reported a 2014 profit percentage in excess of 10%, a sharp increase compared with 2013 (57%) and higher than in any of the previous five years. The proportion reporting a net loss fell from 13% in 2013 to 7% in 2014, the lowest reported in the past six years.

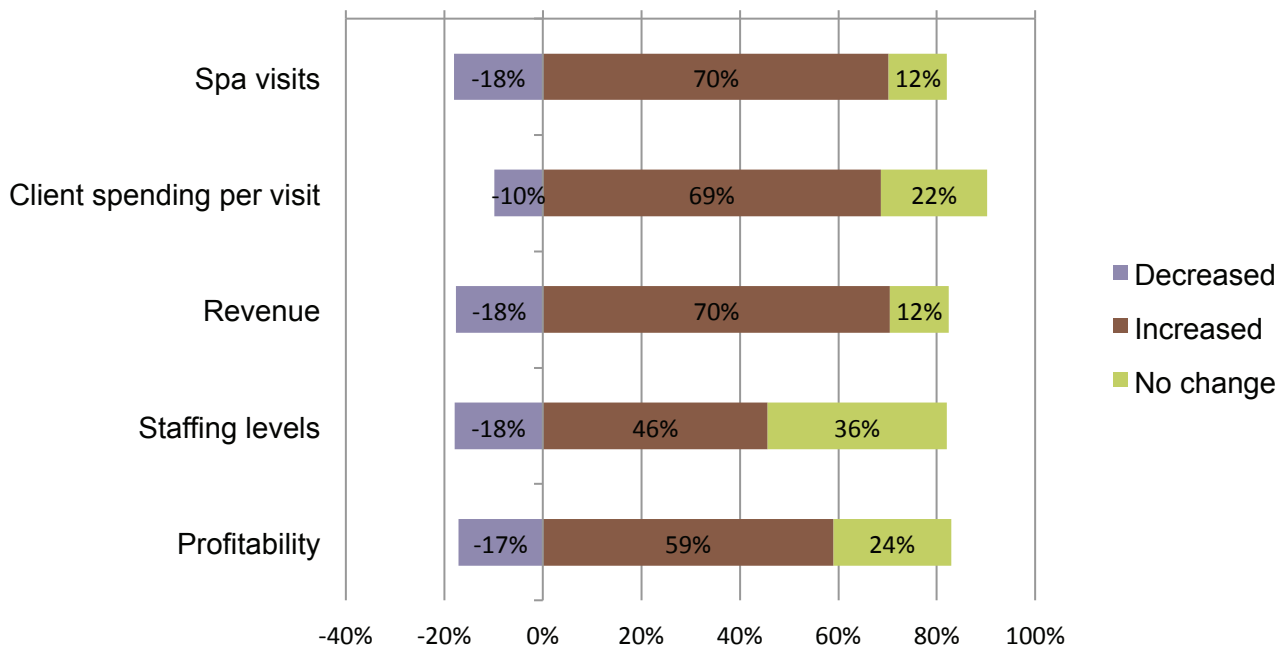
Within the resort/hotel sector, two in three spas (67%) reported a spa profit percentage in excess of 10% for 2014, slightly lower than the 2013 outturn (71%). The proportion saying they experienced a net loss was 6%, broadly unchanged from 2013 (5%).

## Recent trends

When asked about their more recent experience in the six months prior to the survey (September 2014 to March 2015), a large majority of spas reported an increase in revenue (70%), visits (69%) and client spending per visit (70%) compared to the same period in the previous year. Each of those demand indicators was at their highest levels since the recent trends question was first posed to survey respondents in the 2010 Industry Study, suggesting that the strong performance of 2014 has carried through to 2015.

## Demand indicators

Experience in past six months (September 2014 to March 2015 compared to one year previously).



Judging from the recent trends, spas are also continuing to hire new staff in response to growing demand. Almost one in two spas (46%) said they had increased staffing levels in the last six months compared to the same period in the previous year. The proportion stating an increase in staffing levels was again at its highest since the tracking of recent trends commenced in the 2010 Industry Study. Fewer than one in five spas (18%) said their staffing levels were decreasing with the remaining 36% saying that staffing levels had remained unchanged.

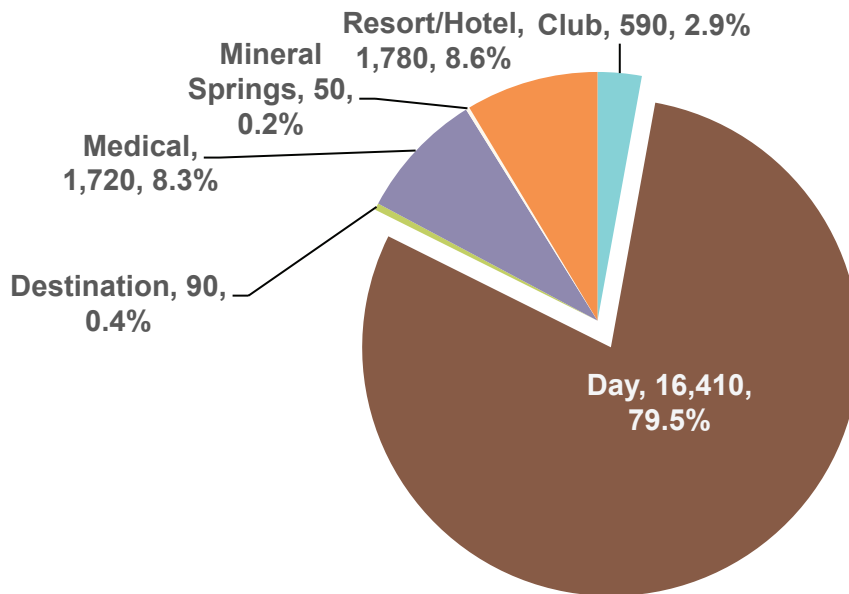
## Looking Ahead: Building on the momentum

The overwhelming majority of spas are confident that revenues will continue to increase in 2015. Over nine in 10 spas (89%) said they were 'confident' (36%) or 'very confident' (53%) of an increase in revenues in the next six months. Confidence levels are therefore at their highest since tracking began in the 2012 Industry Study.

Spas are also taking steps to build on the momentum for growth. When asked about their plans for 2015, almost three in four spa businesses (74%) said they would be adding or creating new treatment offerings, 60% said they would be introducing new product lines and 55% planned the creation of a new spa menu. The positive outlook for employment was reflected in 65% of spas saying they intend to add or create new employee training opportunities along with 57% of spas saying they plan to create new job opportunities. A new spa or expansion of an existing spa was mentioned by 46% of spa respondents. Over one in three spas (35%) said they planned to add or create new community partnerships, pointing to the ongoing efforts made by spas to reach and engage with their local communities.

Survey respondents were also asked to give their views on what they believe will be the next big new trend that will shape the spa industry over the next year or so. By far the most frequently cited trends related to wellness, health and fitness and projecting spa visits as part of a healthy lifestyle. In that vein, respondents pointed to spas offering a wider range of services aimed at health and fitness (i.e. stress management, integration of medical treatments, therapeutic treatments and healthy aging). Respondents also highlighted: clients' desire for more customization to meet individual needs and the use of organic/natural products. Nurturing loyalty through customer engagement was also a recurring theme, including new technology-aided booking options, link-ups with fitness centers, integrating into the wider community through events and express services to suit busy clients and facilitate regular visits.

### Number of Spa Establishments in the U.S. by Spa Type



Topics included in the full ISPA 2015 U.S. Spa Industry Study are as follows:

- Industry size: performing strongly
- Spa industry profile: size and geography by type of spa;
- Spa facilities and services: the main elements of indoor space, core spa services, the retail component and programs and treatment offerings; and
- Compensation: Topics include salaries paid to full-time estheticians, massage therapists and nail technicians; unstaffed positions, compensation structure and employee benefits.

The full report also includes a technical appendix.

**For more information on ISPA, write to, call or email:**

2365 Harrodsburg Road, Suite A325, Lexington, KY 40504

**USA Domestic Telephone:** 1.888.651.4772 or **Direct:** 1.859.226.4326

**Email:** [ispa@ispastaff.com](mailto:ispa@ispastaff.com) | **Website:** [experienceispa.com](http://experienceispa.com)

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