

## US Spa Industry Study

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This is a summary of the findings from the 2014 U.S. Spa Industry Study. The study was commissioned by the International SPA Association (ISPA) and undertaken by PwC International Survey Unit. The study presents a picture of the spa industry in 2013.

## The industry in 2013: Back on track

The 2014 study marks the fifteenth anniversary of the commencement of the ISPA U.S. Spa Industry Study. In the intervening period, the spa industry landscape has changed dramatically. Based on the latest industry study findings, there are now over 20,100 spas located across the U.S. That represents a near five-fold increase on the estimated 4,140 spa establishments operating in the U.S. in 1999.

In 1999, there were 1.5 spas for every 100,000 people living in the U.S. compared to 6.4 spas per 100,000 people at the end of 2013. Compared to 1999, the spa industry is substantially larger and more widely dispersed across the U.S. Consequently, the spa experience is now much more accessible to consumers than was the case in 1999, when the sector was still at an early stage in its development.

Along with the rest of the U.S. economy, the sector experienced a sharp downturn in the course of the Great Recession 2008-2009. However, the spa industry has rebounded nicely and the latest revenue estimates provide the strongest indication yet that it is now firmly back on a growth trajectory. In 2013, total spa industry revenue is estimated to have reached \$14.7 billion, representing a 5.1% increase on the 2012 out-turn. In cash terms, total revenues are now 20% in excess of the position in 2009 (\$12.3 billion) and 11% higher when account is taken of price inflation over that period.

The 5.1% revenue growth recorded in 2013 was due in approximately equal measure to increasing numbers of spa visits (+2.5%) and a rise in the average revenue per visit, up by 2.5% from \$87 to \$89 in 2013.

## The Big Five Statistics

ISPA 2014 U.S. Spa Industry Study

**The Big Five Statistics:**  
2013 out-turn and percent change in 2013

	2012 (Year End)	2013 (Year End)	% Change
Revenue	14.0 billion	\$14.7 billion	+5.1%
Spa visits	160 million	164 million	+2.5%
Locations	19,960	20,180	+1.1%
Revenue per visit	\$87	\$89	+2.5%

	2013 (May)	2014 (May)	% Change
Total Employees	343,600	349,900	+1.8%
Full-Time	151,300	148,300	-2.0%
Part-Time	145,400	157,000	+8.0%
Contract	46,900	44,600	-4.9%

\*Calculations of percentage change are based on unrounded figures.



The total number of visits to spa establishments is estimated to have risen from 160 million in 2012 to 164 million in 2013, the highest level recorded since ISPA commenced tracking the spa industry. The number of visits in 1999 totaled an estimated 69 million.

The improving national economy has provided a positive context for the spa industry. Though the pace of growth in the U.S. has been modest (2.2% in real terms in 2013), employment has continued to rise (+1.7 in 2013) and unemployment has remained on a downward trajectory (an average of 7.4% in 2013 compared to 8.1% in 2012). Nonetheless, the spa industry out-performed the wider U.S. economy in 2013. For example, the 5.1% increase in spa industry revenues was ahead of the overall 2013 growth in personal consumption on services (4% in cash terms).

As in previous years, spas have been taking positive steps to attract consumers, including expanded treatment offerings (i.e. 71% offer 30-minute treatments, up from 61% in 2013); discounts and promotions (i.e. 55% offer these to the spa's social media audience, up from 51% in 2013); and promoting their services by offering packages aimed at different demographic and other groups (i.e. 67% of spas offer packages for couples, up from 64% in 2013).

Spas have also sought to take advantage of the opportunities offered by internet availability and access. Almost all spas (96%) now have a website to promote their services. An increasing proportion of spas are also offering consumers the option to book online; 57% in 2014 up from 45% in 2013. Among those offering the online booking option, the average percentage of bookings made online is 20%, ranging from 22% among day spas to 10% for resort/hotels.

The total number of jobs in the spa industry is estimated to have increased from 343,600 in May 2013 to 349,900 in May 2014 (+1.8%). The total number in employment in the sector now stands at its highest level since the inaugural industry study.

As in 2013, the rising employment level was due to expansion of the part-time workforce, up by 8% compared to an estimated fall of 2% among full-time workers. As a result, in 2013 the part-time level exceeded the full-time level for the first time since employment levels were first estimated by the industry study. It should, however, be noted that the part-time share of the spa workforce has been rising consistently over that period, from a baseline of 30% in 2000.

Within that context, the part-time employment share would seem set to continue rising. When asked about unstaffed service provider positions that they are currently trying to fill, the respondents reported that almost two in three of their unstaffed positions are for part-time workers.



## Profitability

Excluding the resort/hotel sector, 57% of spas reported a 2013 profit percentage in excess of 10%, a slight decrease compared with 2012 (61%). At 13%, the proportion reporting a net loss remained stable compared to 2012 (12%).

Within the resort/hotel sector, the proportion reporting a spa profit percentage in excess of 10% was also stable, holding constant at 71%. The proportion saying they experienced a net loss dipped to 5%, down from 8% in 2012.

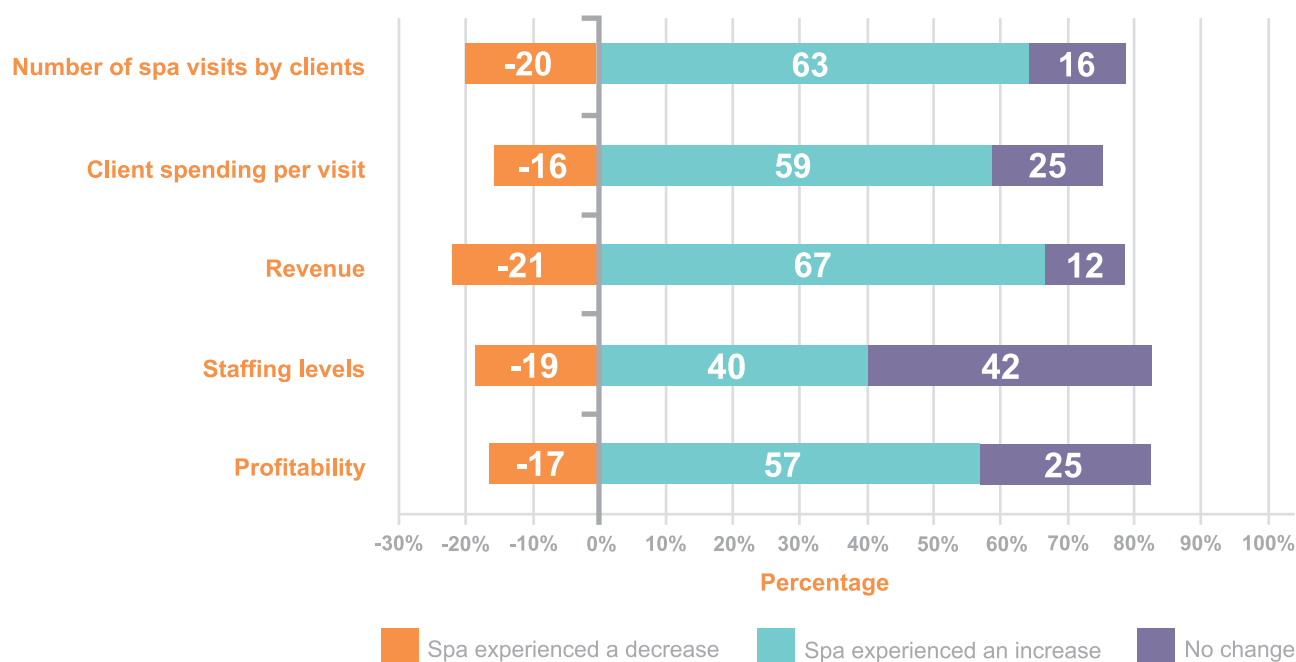
## Recent trends: Remaining positive

When asked about their more recent experience in the six months prior to the survey (September 2013 to March 2014), a majority of spas reported an increase in revenue (67%), visits (63%) and client spending per visit (59%). Each of those demand indicators showed little change from 2013, suggesting that prospects for 2014 remain in positive territory.

The employment outlook is encouraging. Spas were twice as likely to report an increase in staffing levels (40%) compared to the proportion saying that staffing levels had been decreasing (19%).

## Demand indicators

Experience in past six months (September 2012 to March 2013 compared to one year previously)



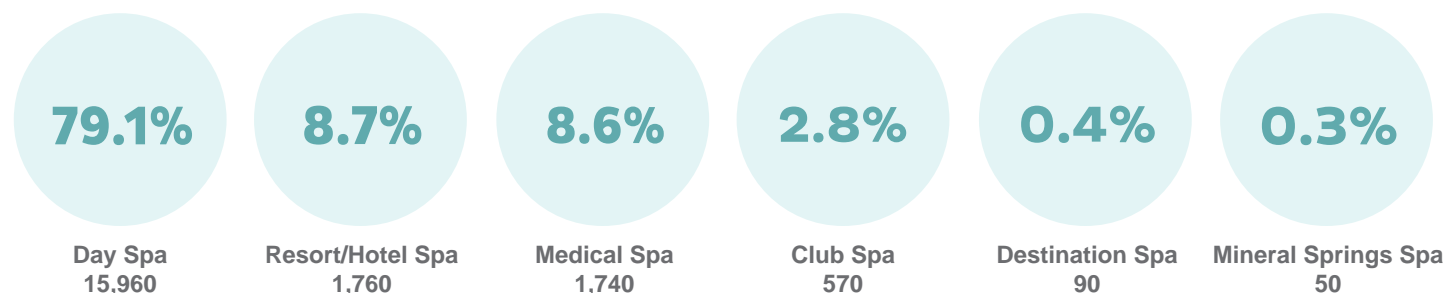
## Gearing for Growth

Spas remain confident that revenues will increase in the next six months. Over four in five spas (81%) said they were 'confident' or 'very confident' of an increase in revenues in the next six months.

Spas are also positioning themselves for further growth. When asked about their plans for 2014, almost all spas (95%) pointed to steps they intend taking that can help to boost their prospects for 2014. Almost three in four spa businesses (73%) said they would be adding new treatment offerings, followed by 56% saying they intended creating a new spa menu, while new product lines were cited by 49%. On the employment side, 40% of businesses said they would be creating new jobs in 2014. A new spa or expansion of an existing spa was on the agenda for 30% of the businesses surveyed.

Respondents were also asked to say what they think is the single biggest issue facing the spa industry in 2014. Most frequently, spas mentioned the impact of discounting (18%) and competition in the marketplace (18%). Staff-related issues also featured prominently, with 16% of respondents highlighting difficulties in finding skilled staff and a similar proportion (15%) pointing to problems with recruitment and retention of employees.

The emergence of such staff-related issues can be taken as an indicator of a tightening labor market, as companies seek to employ workers in response to rising demand from consumers. In that regard, it is interesting to note that concerns regarding the state of the U.S. economy would seem to be abating; that issue was cited by 13% of respondents in the 2014 survey, down from 27% in 2013. As in previous years, respondents also stressed the need to tackle consumer perceptions of spas as a luxury/pampering item; mentioned by 12% compared to 10% in the 2013 survey.



Topics included in the full ISPA 2014 U.S. Spa Industry Study are as follows:

- Industry size: Back on track
- 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.

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