



## NORTH AMERICA: *United States*

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### ECONOMIC CLIMATE

**NEGATIVE:** The economic crisis that all major industries experienced in the United States was exaggerated in the spa and wellness arena due in part to the robust period of expansion and economic success that immediately precipitated the collapse.

The primary reaction in the U.S. was an immediate market contraction and correction. In certain regions of the U.S., particularly southern Florida and southern California, the number of businesses in our industry had grown by so much that the supply greatly outweighed the demand. In areas of overcapacity such as these, the market saw immediate business closures throughout 2009. Of the businesses that survived in the U.S., over 45% reported reduced revenues compared to 2008 (American Spa Industry Insider, August 2009). To survive, business owners needed to adapt to the economic climate quickly.

One of the most prevalent negative effects of the recent economic climate is the propensity of spas to routinely and deeply discount the price of the services offered. Discounting is a slippery slope and one that has potentially irreversible effects.

The acceptance of discounting as a pricing philosophy in our industry in the U.S. has led to an ever more dangerous trend involving third-party companies who offer up-front cash flow to help owners navigate the rough economic time. This has a potentially devastating long-term affect.

**POSITIVE:** Even when faced with challenging economic factors, the best and most industrious business owners find ways to steer through the difficult times and emerge on top. One short term shift we have seen is spas concentrating on the acquisition of new customers to focusing on the retention of existing customers. Here are some ways this is being accomplished:

1. Growth and emergence of membership programs that focus on providing value to clients who are already consuming services on a regular basis.
2. The increase of loyalty programs. A parallel can be drawn to other hospitality industries, such as hotels and airlines, which have been years ahead with regards to loyalty and point programs.
3. More than ever, spas are leveraging existing clients to be the source of new clients. By structuring beneficial referral programs, spa and wellness businesses are able to capitalize on the social networks of their existing core clientele to grow their business.

## STATISTICS

The most intriguing, and at the same time troubling statistic that has emerged in our industry in the last year has been the overwhelming percentage of single item transactions. Looking at a sample size of approximately 800 operating spa locations, over 80% of the transactions that occurred over the past 12 months only contained one ticket item (Data sourced across active locations in the US using the SpaBooker software platform). We can conclude:

1. Spas are doing a poor job of up selling add-on services to compliment the primary treatment. Spas are not doing a sufficient job at adding retail items to tickets. The importance of a successful retail selling operation is well documented, and adding retail to less than 20% of treatment tickets is not a positive statistic.
2. The high percentage of single item transactions reflects consumer buying habits and shows that the consumer is not purchasing peripheral items. The silver lining is that it leaves room for improvement once the consumer loosens the proverbial “purse strings”.

## INNOVATION

One innovative trend is the growing importance of offering online booking for spa services. In Q1 of 2009 across all businesses offering online booking on the SpaBooker system, there was an average of 10 online bookings per month per spa. In Q1 of 2010, that number has jumped to 29 online bookings per month per spa. That’s a huge increase and shows no sign of slowing down. Online booking saves spas money in personnel time while at the same time allowing consumers the convenience of booking spa treatments at any time of the day or night. Revenue management is beginning to be utilized in some of the more successful operations.

Since SpaBooker is an online, SaaS (Software as a Service) tool for spa and wellness companies to manage their business, we’ve focused on helping these businesses connect more easily with the online consumer, and more specifically, the mobile online user. One key innovation was to develop the SpaFinder iPhone Application, which allows consumers to search for spas directly on their iPhone, and through integration with the SpaBooker Platform, actually book appointments in real-time. Secondly, we have optimized the online booking engines of all of our clients to adapt to mobile devices and provide an easy-to-use booking platform. The significant innovation in this regard is that we’ve done the mobile adaptation on their behalf so the individual businesses don’t need to commit time and expensive resources to have it done.

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