

# NORTH AMERICA: *United States*

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## ECONOMIC CLIMATE

Although it depends on the individual U.S. market, overall spa revenue has been down by 20-30%. Visits are holding solid, people just aren't spending as much on treatments and products when they come to the spa. Spa owners and managers are realizing that in order to survive they must have the whole package; exceptional customer service, treatments that under-promise and over-deliver, an environment full of amenities that add value, and services that are priced appropriately for the market. One of the positives to come out of this current economic climate is that there has been a weeding out of mediocre spas. Now, more than ever, the customer is king. If they don't like what they see, they don't come back.

## INTERESTING STATISTICS

The International SPA Association's (ISPA) statistics are always worth analyzing.

- The 2009 report showed that overall U.S. industry revenues continued to grow at an annual rate of 17.8% to \$12.8 billion for year-end 2008 from \$10.9 billion for year-end 2007. Revenue remained stable at the per spa level. Due to the timing of the study, the statistics don't accurately reflect the economic situation in the U.S. at present. That September, the infamous stock market crash occurred, the result of which, was consumers spending less, massive job losses, and the government bailout of banks.
- The number of locations grew to 21,300 for a five-year average growth of 17%. As with the previous report (2007), location growth by year (18.8%) again exceeded revenue growth (17.8%). I'm still surprised by the number of small business owners who want to open a spa.. Banks are not loaning money for projects and, unless the entrepreneur targets a market that is not saturated with spas, it's not a viable time to build a spa. Spas in higher-end hotels are almost seen as mandatory. Again resort development has slowed because of the economy and difficulty in raising capital.
- The number of visits per spa is interesting as it declined slightly to an average of 7,486 per location for 2008. Just five years before, that figure was 11,063 per spa. This, coupled with the previous statistic, indicates that some markets are saturated and competition is more fierce.

## INNOVATION

Integrated wellness is a great direction for the spa industry. I'm glad to see us moving away from the term 'spa' and putting a greater emphasis on 'wellness.' We need to be careful that we don't confuse the consumer. Thoughtful consideration needs to be given in how we transition this message in our marketing efforts. On a similar note, there's a movement away from using the term 'luxury' in marketing materials. The term no longer resonates with U.S. consumers. Gone are the days of excess spending. Instead, being cost-conscious and financially savvy is hip and chic. This movement challenges spa operators to be creative.

Spa-goers are looking for more simplified, yet more personalized menus. They are overwhelmed by massive menus with a myriad of treatments. They want what they want and don't want to spend a lot of time

## SPA INDUSTRY BRIEFING: *United States*

perusing pages. We are seeing more creativity in the U.S. in making menus more simplified, yet personalized. Which leads me to consumers want more than personalized menus, they also want personalized experiences. At Creative Spa Concepts, we are programming a lot of spa suites that can provide spa/hotel crossover experiences (spa treatments, steam showers, napping areas, F&B areas, DVD players for meditation or movies, changing/vanity areas, etc.) These suites make a personalized guest experience possible while, often times, not requiring a therapist be present.

Spas are becoming harder to categorize as 'Resort', 'Destination', 'Day', etc. Day spas with yoga and cooking classes, resort spas with destination spa elements, spas in hospitals - there are many hybrids and this creates challenges in marketing and design. CSC is working with a stand-alone day spa in a major U.S. city whose owners want to offer a yoga membership and quarterly destination spa programming. We have to be more thoughtful about creating multi-functional spaces and how to maximize revenues from the space. Another new challenge is to come up with accurate benchmarks.

A lot is happening with integrated medicine. Spas for the senior population are a growing segment, as well as spas in hospitals. Yet, to date they have not been as successful, which I believe is related to marketing efforts.

U.S. spas are using eco-friendly designs. Though, eco-friendly policies can pose a challenge for operators in figuring out ways to reduce water consumption and linen usage. Achieving LEED certification is popular for a lot of developers. Spas are faced with challenges to reduce water usage and linen consumption to meet the highest standards. For now, most of the focus is on using 'green' building materials. Some operational changes are underway, for example, one CSC hotel client is getting rid of bottled water by giving refillable water bottles to guests and placing filling stations around the property. Seems to me that hoteliers are going local to add a spa. This could be because room rates are down and the GM wants to bring in a successful, well-known, local business.

At CSC, we are being innovative in two ways to add value to our clients and the services we offer:

- We are launching Get Spa Smart. This section of CSC's site shares complimentary information and resources to help spa professionals develop and operate better businesses. For media, Get Spa Smart includes Spa Inspired Life, a section that features experts who share beauty, fitness, cuisine, and well-being tips, recipes, etc. to give journalists a 24/7 online resource. In addition, spa business can strengthen their consumer education through utilizing tools from Spa Inspired Life. Get Spa Smart is complimentary and available only to trade professionals.
- CSC invested in an in-house PR person to add value to our clients. Most consultants don't use PR, though we are seeing that through CSC's PR efforts, our clients receive a boost in their reputation, brand, and bottom line.

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