



NORTH AMERICA: *United States*

ECONOMIC CLIMATE

The ongoing economic downturn these last two years has had a deep impact on every industry in the U.S., including the spa and wellness industries. While there's a lot of new data in 2010 that indicates that a meaningful turnaround is underway, last year was particularly challenging for the hotel, resort and destination spa segments. We did see the closing of some very prestigious properties along with restructurings and mergers. However, given that the U.S. was hit hard by the global recession the number of resort/destination that closed was actually surprisingly low.

The day spa business held steadier and has proven more resilient because of the lower dollar /time commitment required of the consumer and because some stressed consumers decided to forego expensive travel in favor of the day- or spa-cation closer to home. Chains of day spas specializing in low-cost services such as Massage Envy, Woodhouse and Facelogic continue to grow. Ultimately, the fallout from this economic crisis will be a positive one for consumers, as hotel/resorts spas look at – and innovate – how to deliver more value.

Extremely popular 'deal impulse' models like Groupon and Gilt will continue to proliferate, and they're providing important lessons for our industry to learn more about the value of yield-management. And prices of treatments, which many would argue had become out of touch with consumer realities, are being reevaluated.

STATISTICS

Some of the most compelling and encouraging data we've seen in the U.S. over this last year has spoken to the relative strength and resilience of the spa industry during the recession, against the backdrop of much more significant declines for the broader hotel, travel and airline industries. For example, recent data from Smith Travel Research reveals that luxury hotel spas proved significantly more resilient than their 'room' equivalents across a tough 2009: while the Average Daily Rate for rooms fell 16%, and occupancy declined 9%, the average spa treatment rate dipped a far more modest 4%, and Treatment Room Utilization actually grew 3.5%. Smith Travel's analysts argue that luxury hotel spas' ongoing, comparative strength may mean increased attention from management going forward. As STR's vice president, Jan Freitag, put it, "a hotel room can only be sold once per night, while a spa treatment room can be sold multiple times a day."

Other data points to the relative strength of the spa industry in challenging times. For example, the annual 'State of Spa Travel' survey of travel agents across the U.S. (commissioned by SpaFinder), showed that in a very tough 2008, a significant majority of travel agents (70%) reported NO declines in spa travel bookings, and 34% actually clocked year-over-year increases over pre-reces-

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sion 2007. 2009 was more challenging with 58% of agents reporting declines over 2008, but only 1 in 5 agents reported that spa travel had declined 'significantly' last year.

A host of factors have helped keep the spa sector comparatively strong. Most critical has been the industry's ongoing, wider shift from mere 'pampering' toward a much broader wellness and health focus. It's been a smart move: for consumers in tough times, their health and well-being is an expense they can less afford to cut back on, and the data seems to reveal that people will continue to invest in what they 'need,' rather than what they merely 'want.' In addition, day and stay spas across the U.S. responded quickly to the recession by rolling out discounts, value-adds, and attractive deals.

INNOVATION

Spas have been innovating beyond straight discounting and have created incentives smartly designed to drive incremental revenue and retain loyal customers. There has been an increase in spa membership programs for example.

Another key innovation is the many ways the industry has been marrying spa and wellness. We're seeing a big increase in what could be called a 'hybrid spa' model, with spas incorporating many more, diverse offerings such as fitness or bringing in more medical doctors or alternative medical practitioners along with spirituality and community classes.

There has also been a dramatic increase in both spa businesses and consumers adopting all things online. We're seeing a groundswell of consumers online searching for spas, selecting spas based on online consumer reviews, booking treatments online, and embracing spa social networking sites, such as Facebook or Twitter. On the industry side, spas are embracing tools like online booking at their websites, online gift certificate and retail sales, and some are beginning to adopt yield management software.

At SpaFinder, while we have been instrumental in providing consumers the option for online spa bookings, in the last year we've launched some critical new offerings, including 'instant printable gift certificates,' which have been very popular with consumers. In addition, we've just launched a free iPhone application, which allows consumers to search for nearby spas, read about them, find deals, and book treatments – all with the swipe of a finger.



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