

2014

Day Spa Association

Spa & Wellness Compensation Trends Survey



Connecting the Community for 23 Years

2014 Day Spa Association Spa & Wellness Compensation Trends Survey

About

Compensation is as critical component to success in our industry. It has been said "the business of business is making money." Granted, the economics of making money is important to the success of your business and labor costs are the single biggest category on most businesses Income statement.

Having a good grasp of these numbers will make the difference between red or black on your bottom line. This report will give you a great overview of best (and worst) compensation practices.

The Past Year

2013 showed good growth in our industry, for some it was double-digits. This was predominant in the luxury market as well as with the solo practitioner and single-unit operator. The vendor side of our industry had mirrored these results with strong increases in basic product sales as well as new "tester items."

There is no denying that technology has become omnipresent in our daily lives and is of growing importance to a successful business. Do you know anyone without a cell phone? How about an iPad or laptop open and in use? This has become the "new normal" and for those facilities that are embracing the technological changes associated with digital, it is a boom to your business.

Most reminders today are done by email and texting. If your market is under 30 (40? 50?), you better be speaking their language. Be aware of the amazing software packages available to help run and manage your business. It's critical to be computerized (and 30% of our industry is not) and allow good technology to help you manage your business to success and profitability.

Executive Summary Overview:

- 2013 was a year with challenging ups, downs and even shut downs
- For many, especially the luxury market, growth continues a positive trend
- This report presents the most comprehensive overview of the compensation puzzle in the spa and wellness industry to date
- The respondents were a large mix of business types ranging from destination spas and resorts to the solo practitioner

Five Key Take-Aways

1. Compensation remains the biggest opportunity and challenge in the industry as personnel costs are the largest slice of the expense pie. Compensation control makes the difference between operating in the red or in the black
2. Compensation confusion remains an issue due to the multiple payment and compensation plans. Commissions and definitions of employee versus independent contractor remain “fuzzy”
3. Issues that include Regulatory initiatives and State and Federal guidelines, can not be ignored
4. The size of spa and wellness facilities are shrinking in square footage. This trend was first reported in the 2013 DSA Retail Survey and is further supported in this survey
5. Commission splits are posing a potential “red flag” for profitability
6. We believe this to be the largest survey on compensation in our industry to date. It covers all regions of the country and most therapeutic disciplines.

Survey Sponsors

This survey would not be possible without the dedication of time and resources by our sponsors.

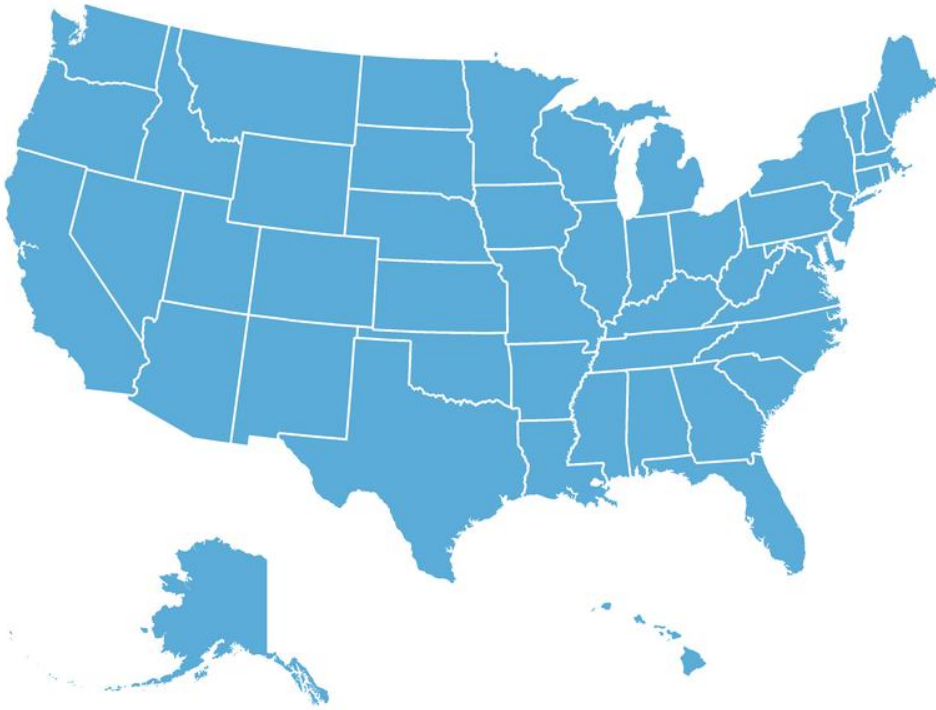
Thank you all for making this incredibly important survey report available to the industry.



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The Largest Compensation Snapshot on the Spa and Wellness Industry

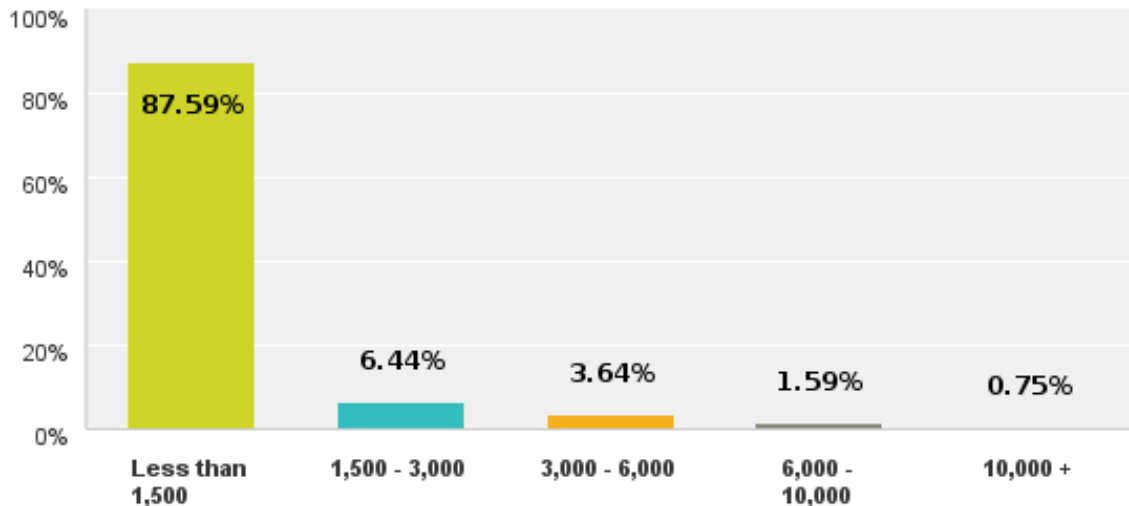


Total Number of Respondents – 1,103

870 different Zip Codes

Where there is a heavy density of Spa & Wellness practitioners, we received a comparable number of responses

What percentage of your total square footage is non-revenue producing areas (ie: locker room, relaxation room, whirlpool, etc.)



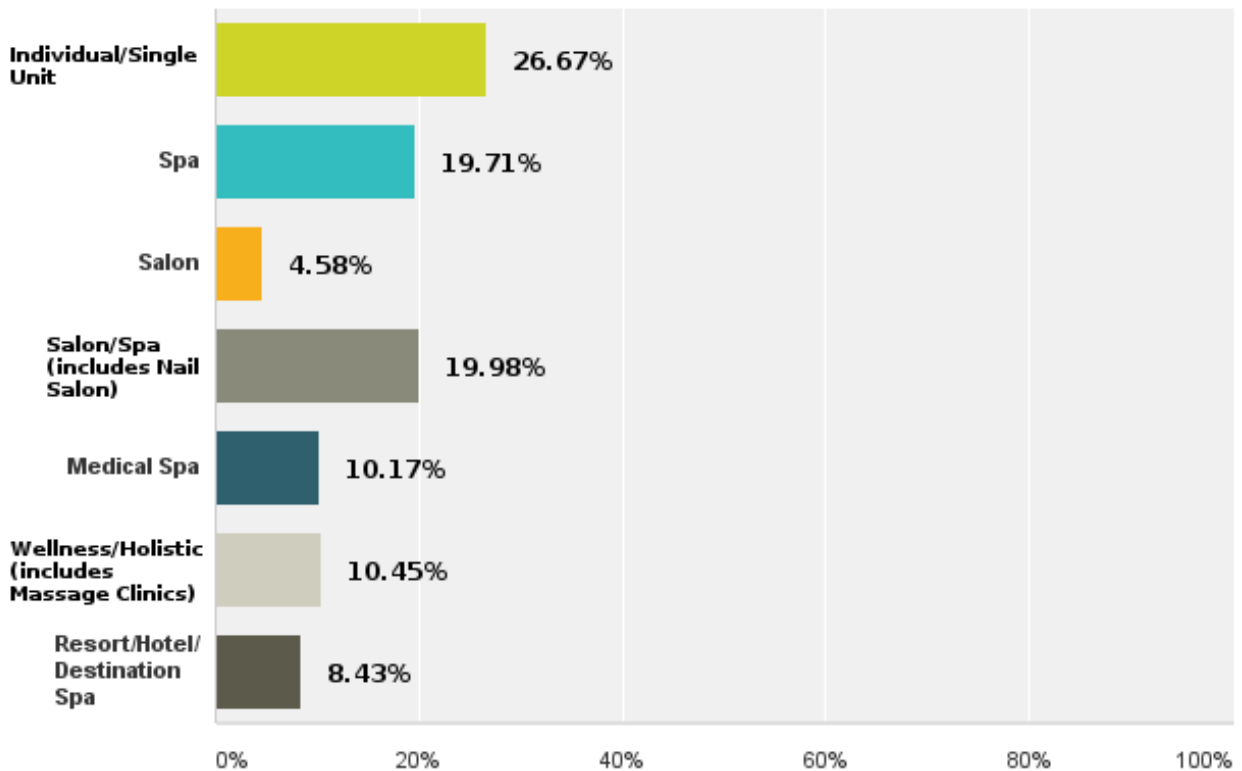
Data:

Most space is treatment and retail. Shrinking since 2008.

Take-away:

Very little “white space” or non-revenue producing areas.

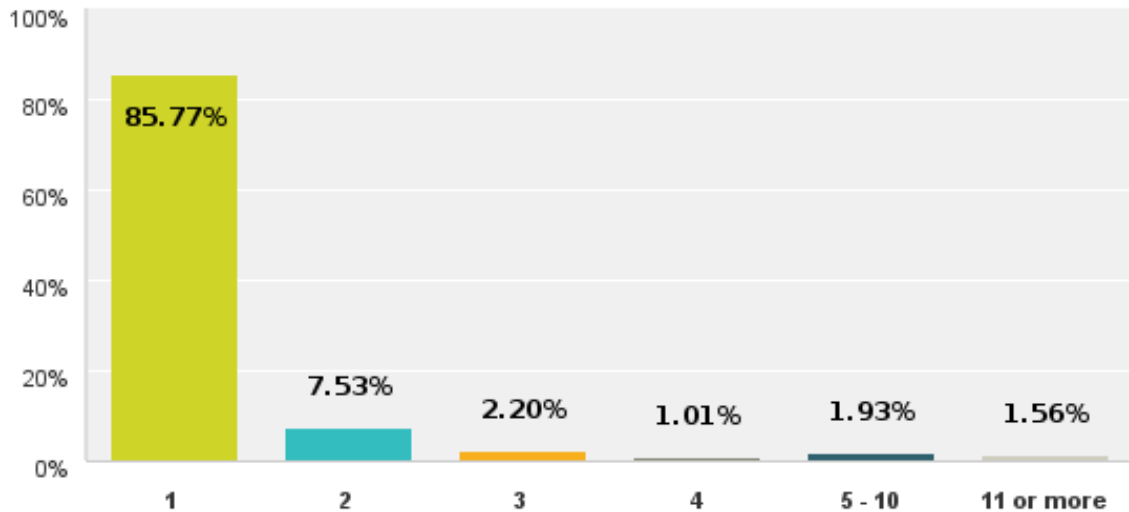
How would you describe your facility?



Data:

Data indicates trend toward individual practice, single unit.

How many locations do you have?



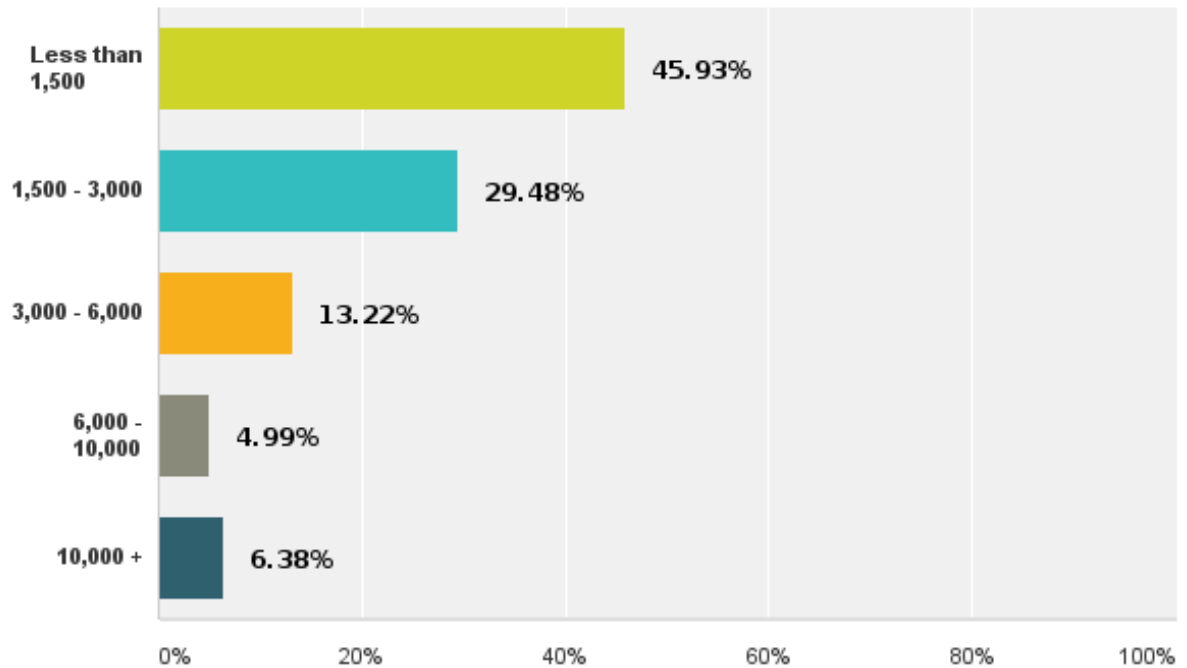
Data:

Multi-unit facilities accounted for 14% of the survey.

Take-away:

Significant variety in single unit: mobile, home based, 50,000 square foot unit.

What is the total square footage of your facility?



Data:

76% of reporting facilities are under 3,000 square feet.

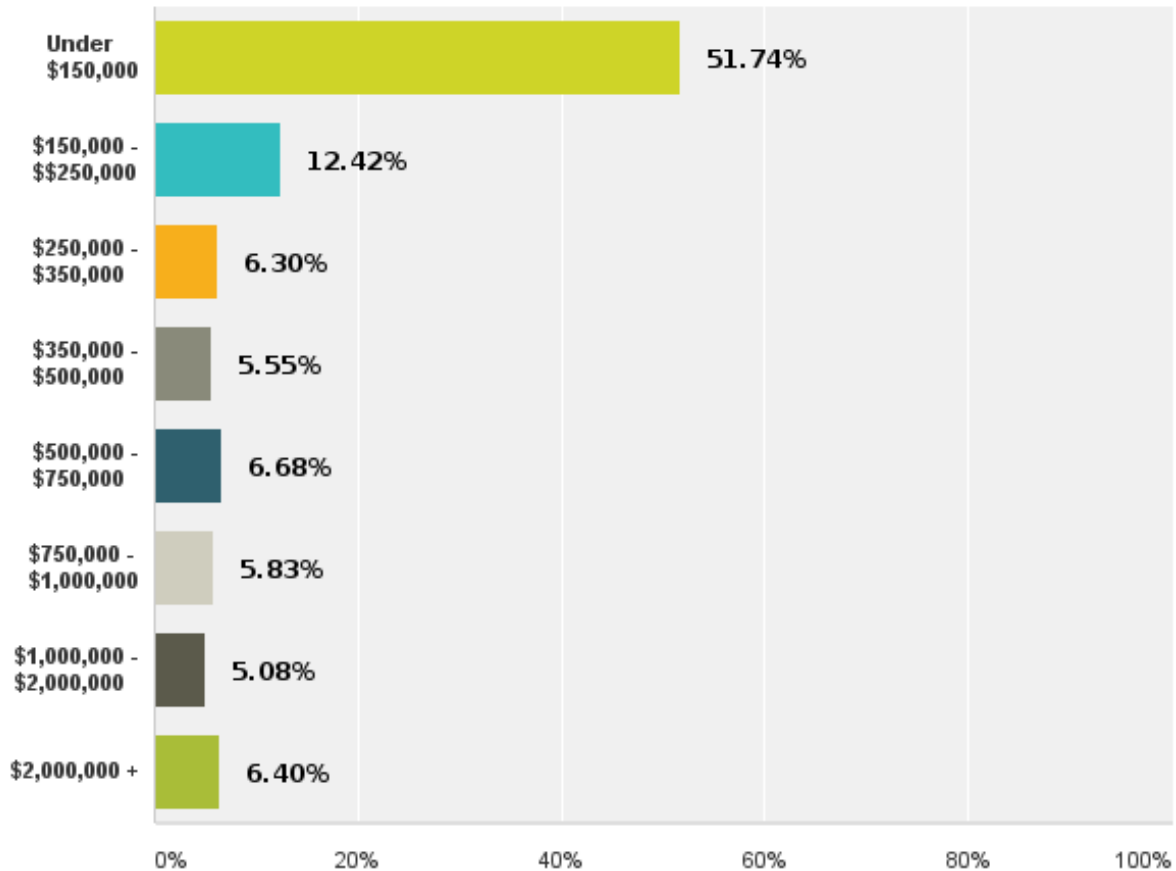
Take-away:

Smaller locations are becoming more typical.



Comparison to 2013 Retail Report
– Smaller size is consistent

What was your Gross Revenue last year? (Services plus Retail product only, not including Gift Certificates or Gift Cards)



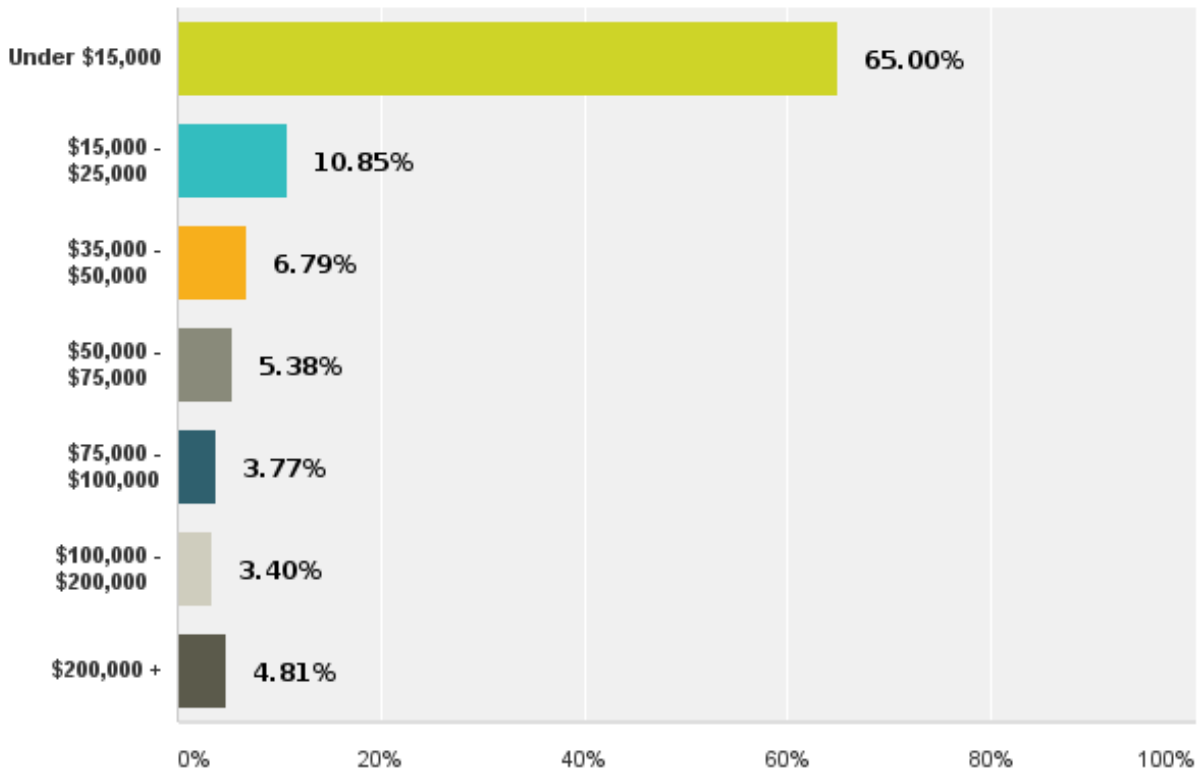
Data:

64% have annual revenue of under \$250,000

Take-away:

This is an industry of small businesses.

What was your Annual Revenue from Gift Certificates and Gift Cards?



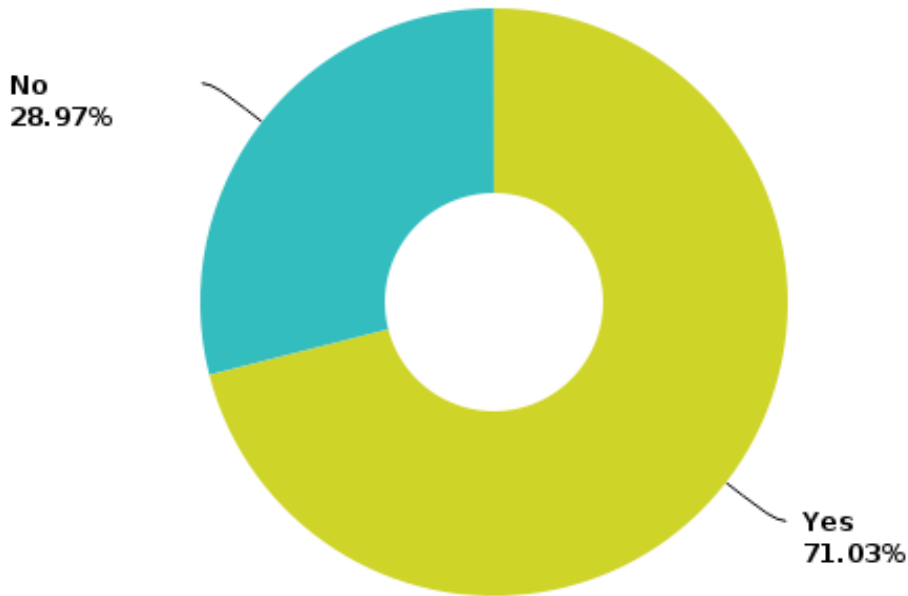
Data:

Most facilities, regardless of size are adding very little to the bottom line in gift certificates and gift cards.

Take-away:

Because gift certificates drive new clientele, they are a great opportunity for increased revenue.

Does the Owner also act as a service provider?



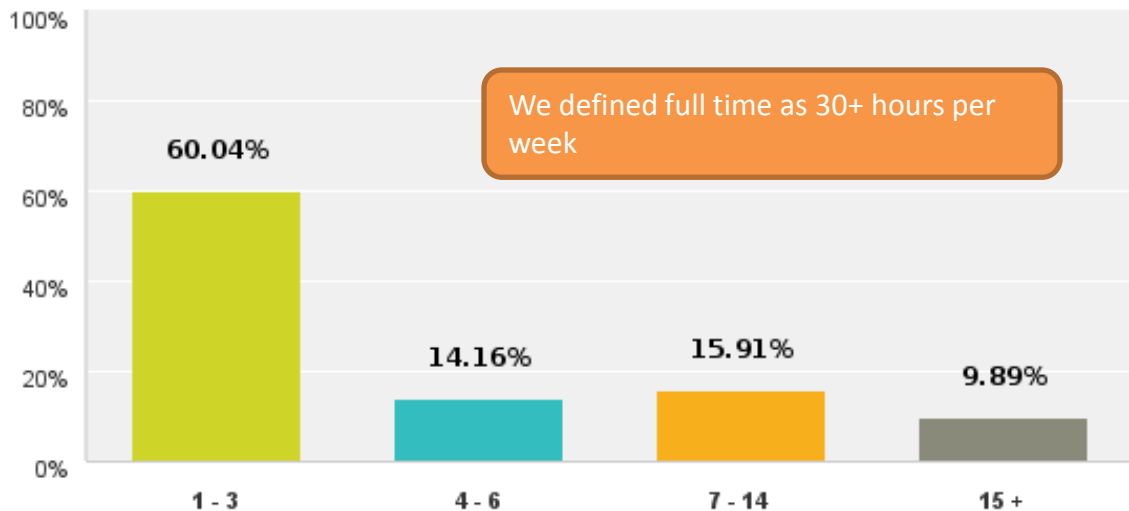
Data:

The majority of owners also provide some services within their business.

Take-away:

This is a potential red flag, as this can lead to burnout and take away time from management duties.

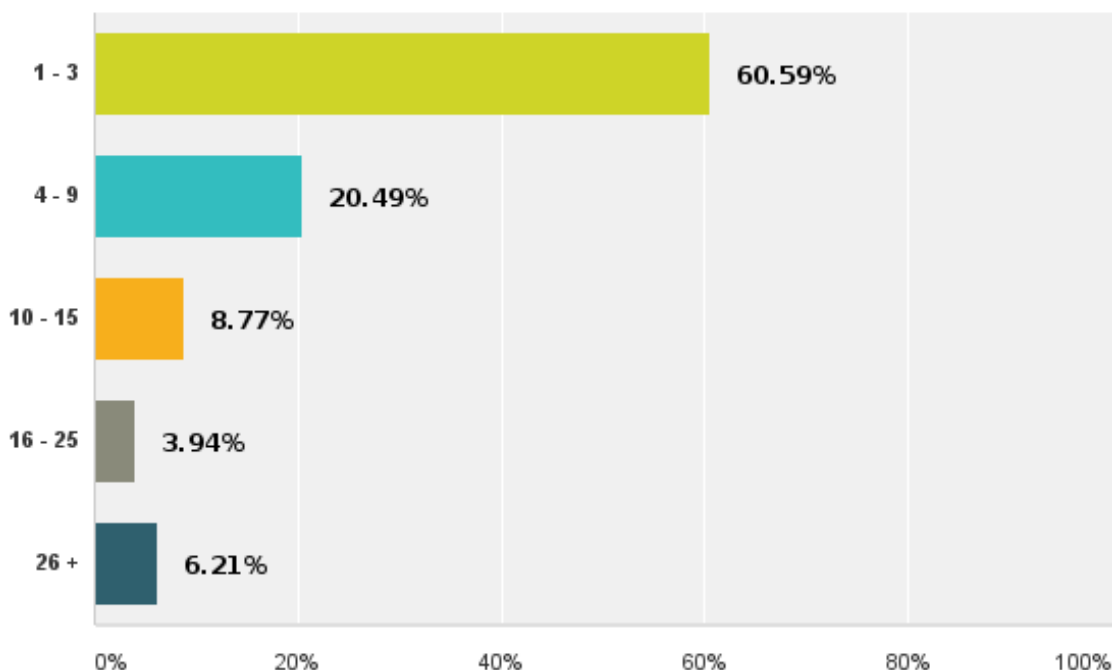
**Number of full-time service providers
(Excluding Support Staff, Front Desk,
Attendants and General management
personnel)?**



Data:

Majority of businesses have small staff numbers.

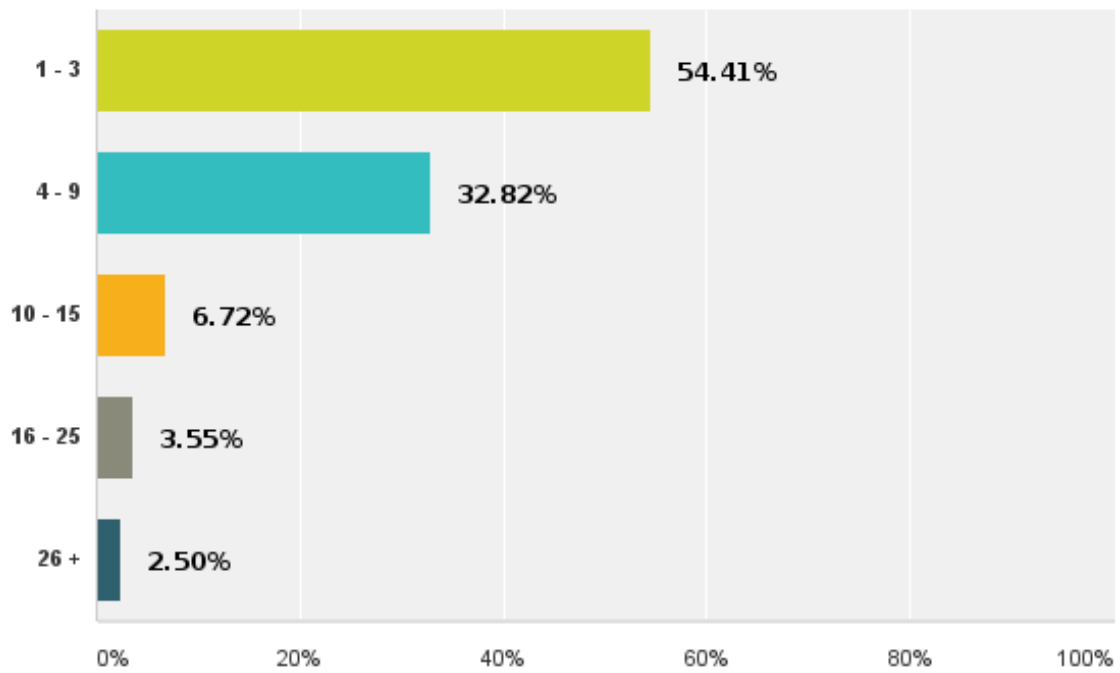
Including independent contractors and employees, how many (FTE) full-time equivalent service providers do you have (Excluding front desk or general management personnel)?



Data:

Data supports and reinforces that the average facility does not employ large numbers of personnel.

How many revenue generating treatment rooms do you have?



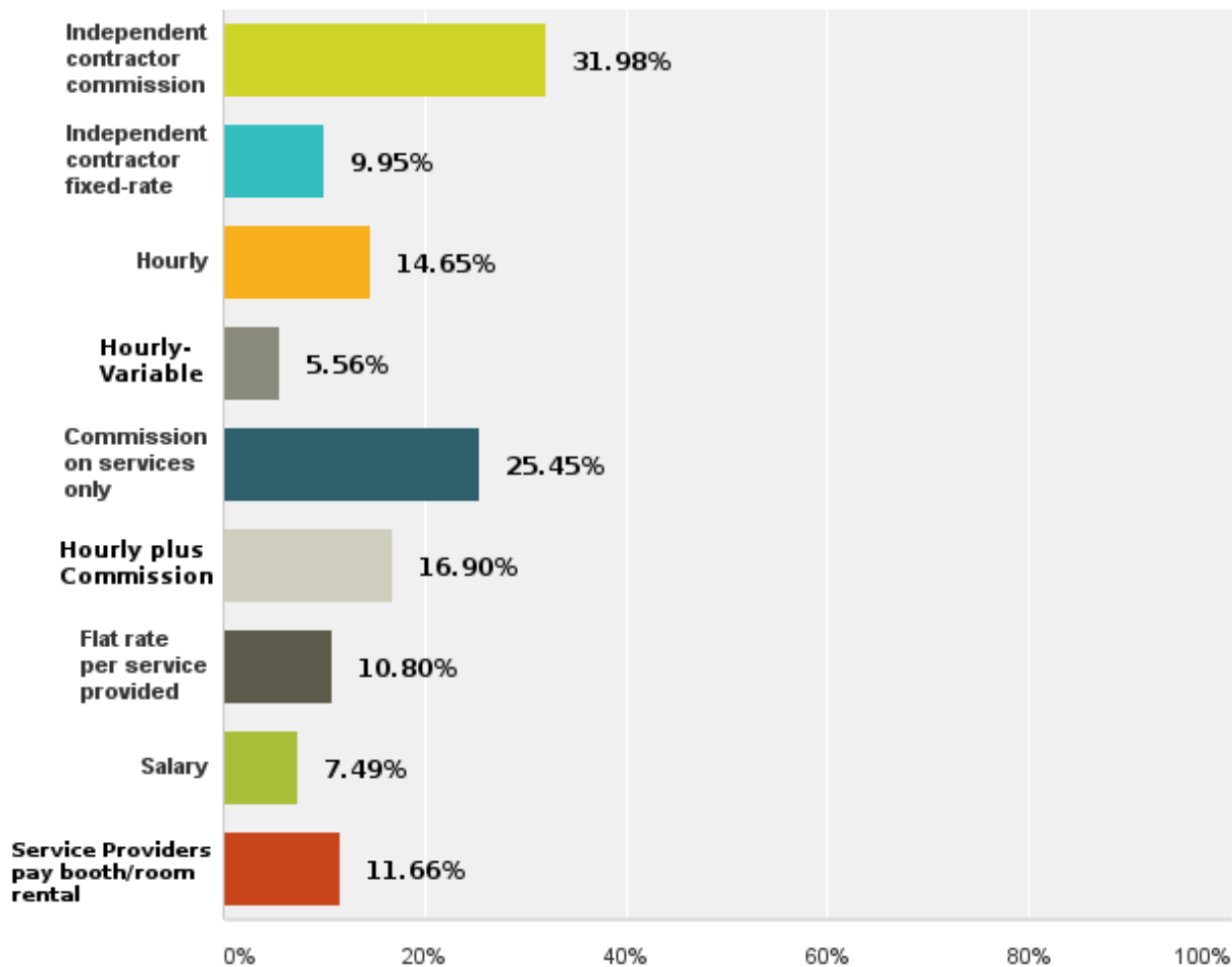
Data:

More than half of survey respondents have up to 3 treatment rooms.

Take-away:

Small facilities are the trend.

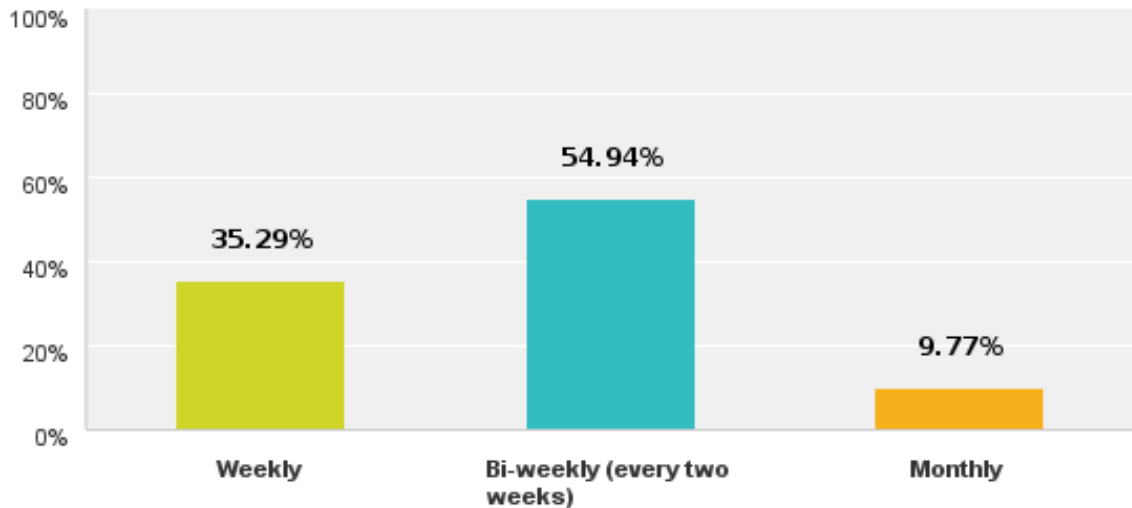
Which pay structure best describes your facilities method of compensation for service providers for services rendered?



Take-away:

Spa and Wellness remains one of the few industries utilizing multiple compensation methods.

Payroll is paid on the following schedule:



Data:

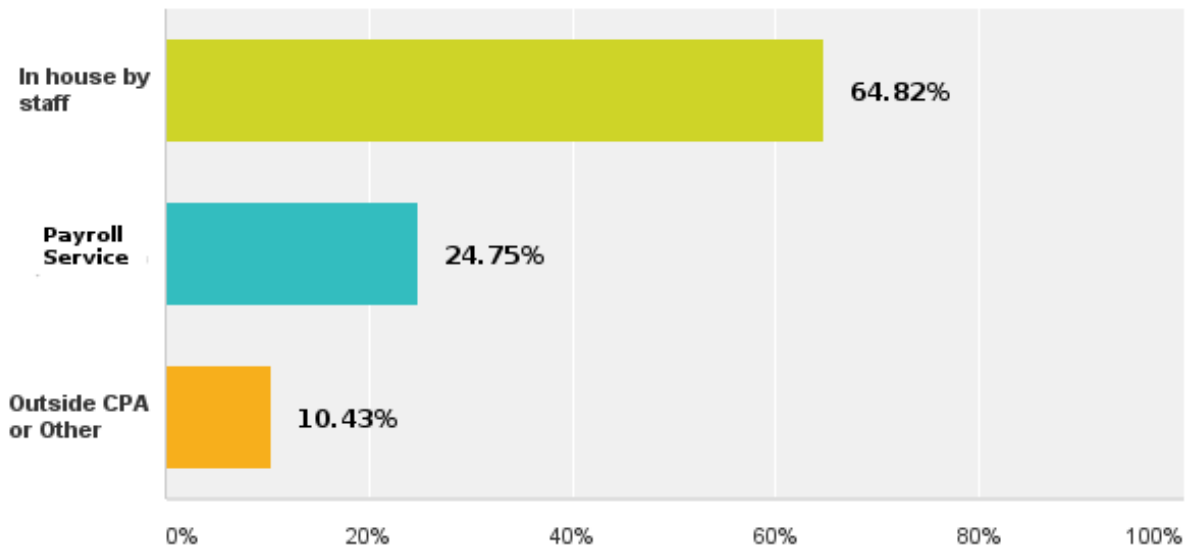
Weekly = 52 pay checks

Bi-weekly = 26 pay checks

Take-away:

Can you save money with bi-weekly payroll?

Payroll is prepared by



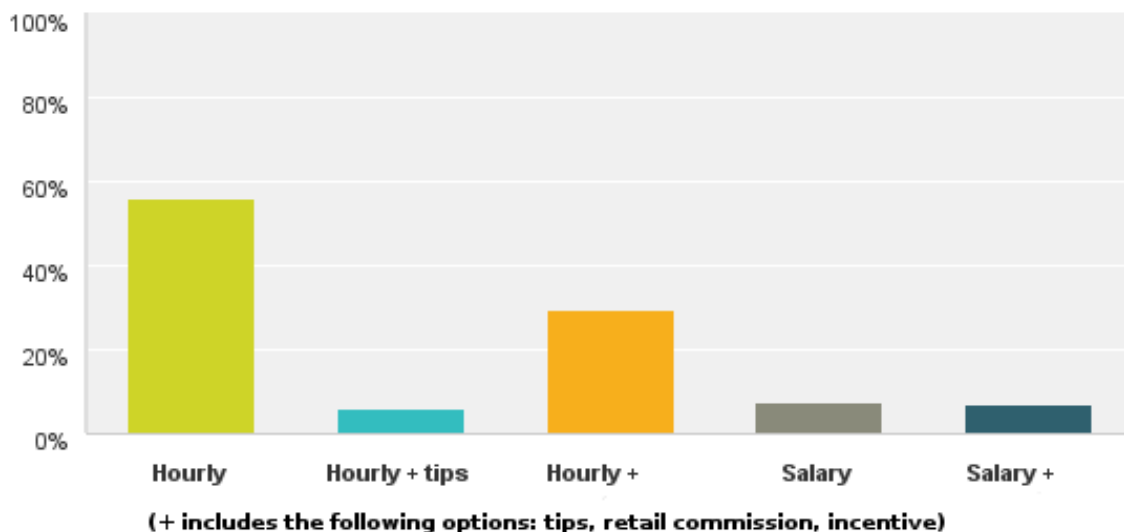
Data:

The majority of payroll is prepared in-house.

Take-away:

This may be an opportunity for delegation, allowing the owner more time to “work on the business, not in the business.”

How do you pay compensation to front desk staff/Concierge? (Select all that apply)



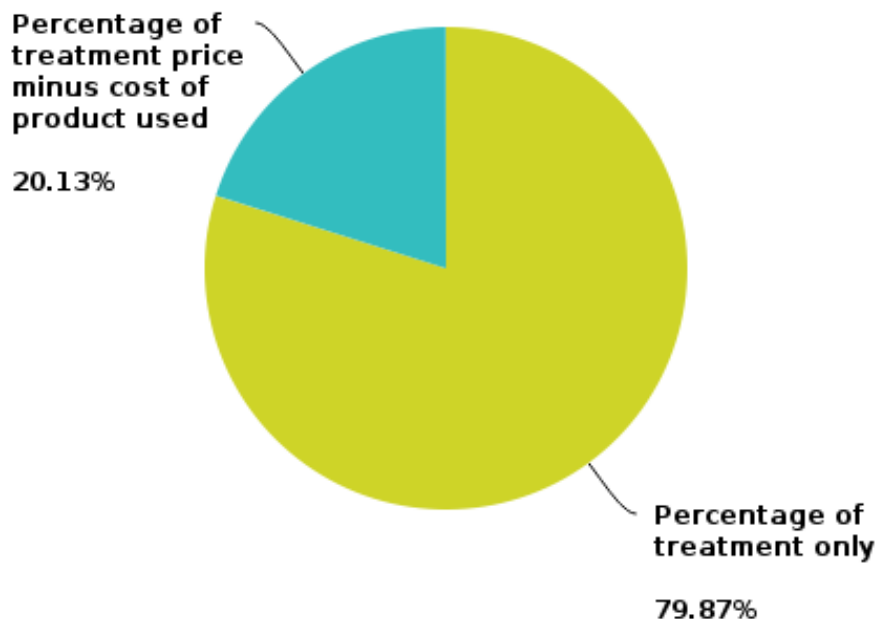
Data:

Concierge staff are traditionally paid hourly.

Take-away:

New trends speak to tip pools and team based pay.

Which best describes commission provided to service providers on treatment services?



Data:

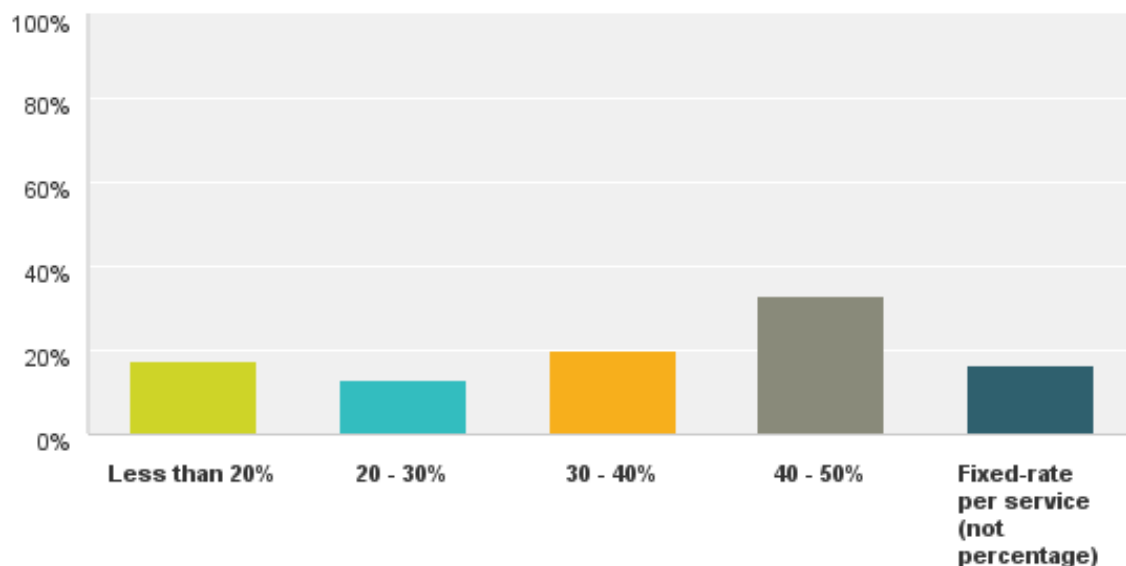
The majority of facilities pay commission on treatments only.

Take-away:

It is critical to know your product cost per treatment.

- Massage – negligible
- Facial – average 10%
- Botox – 50%+

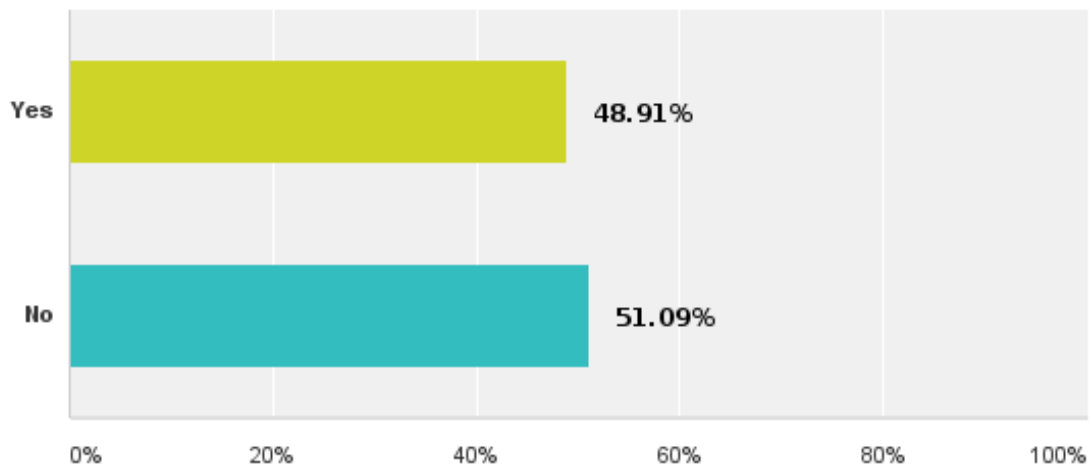
What commission percentage rate is paid on treatment services?



Data:

Commission rates above 40% make it difficult to be profitable.

Do you adjust your commission rate on discounted services to reflect the lower price now being collected (Discounts from specials, coupons, flash sales, your own website)?



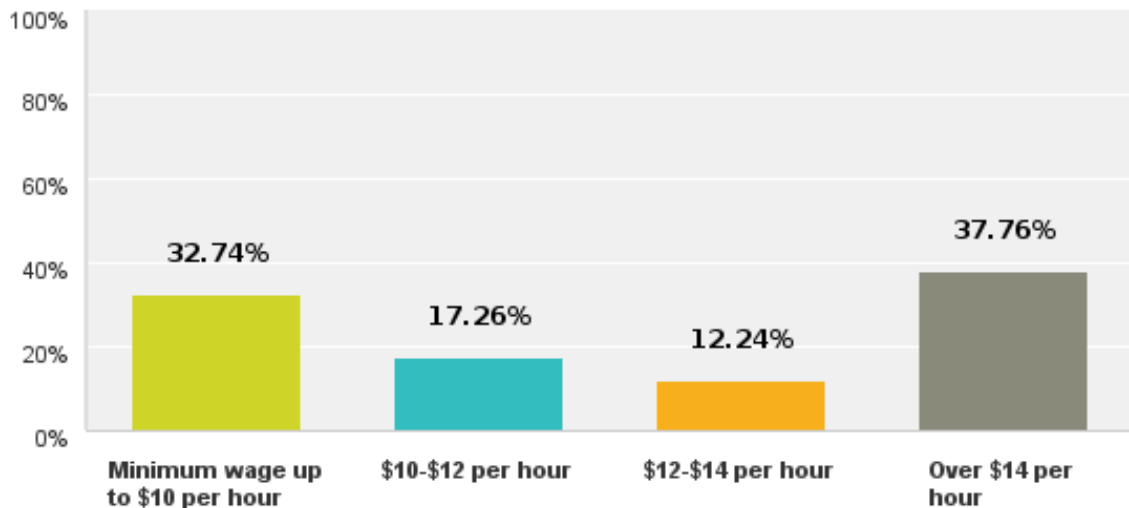
Data:

Over 50% are not adjusting commission rates to reflect discounted services.

Take-away:

Discounted services require an adjusted commission rate.

What is the hourly rate paid to treatment providers? (Excluding any additional compensation)



Data:

One third make up to \$10 per hour.

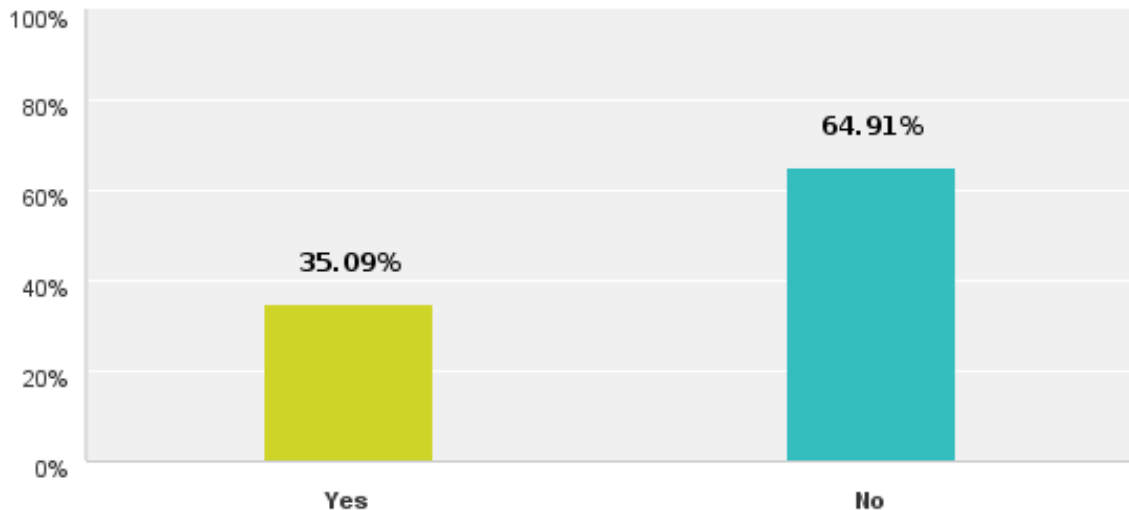
One third make between \$10-14 per hour.

One third make over \$14 per hour.

Take-away:

At a base pay of \$14 per hour, this equates to \$28,000 per year. This may be supplemented by Retail Commissions.

If employee compensation is based on a tiered or sliding scale, is this based upon type of service?



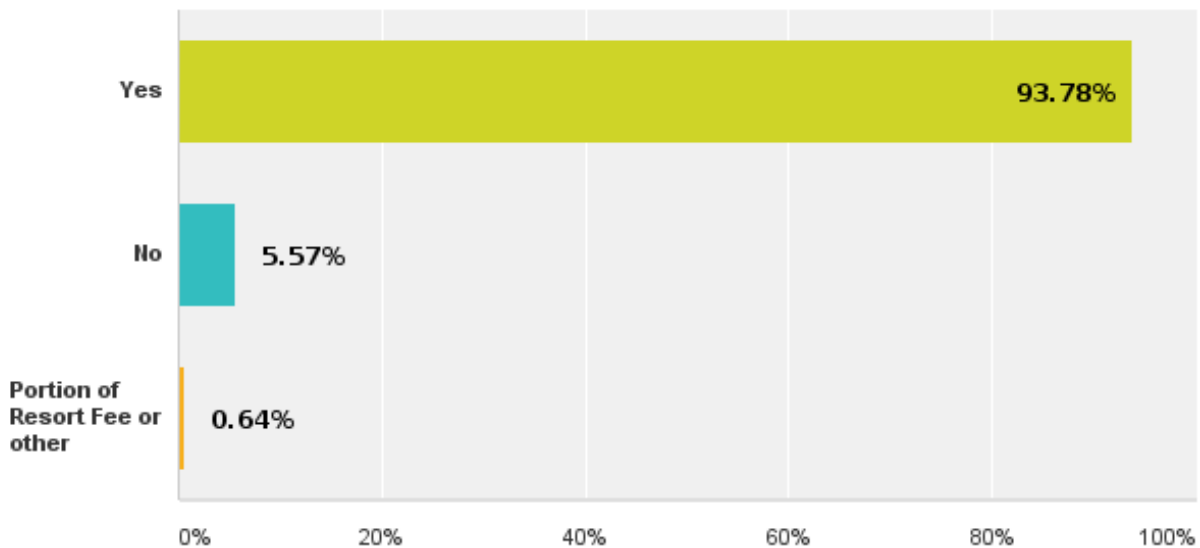
Data:

The majority of facilities do not use a sliding scale tied to the type of service.

Take-away:

This is an area for further exploration. This may become an option as compensation strategies change.

**Does your facility accept gratuities?
(Regardless of how the gratuities are split)**



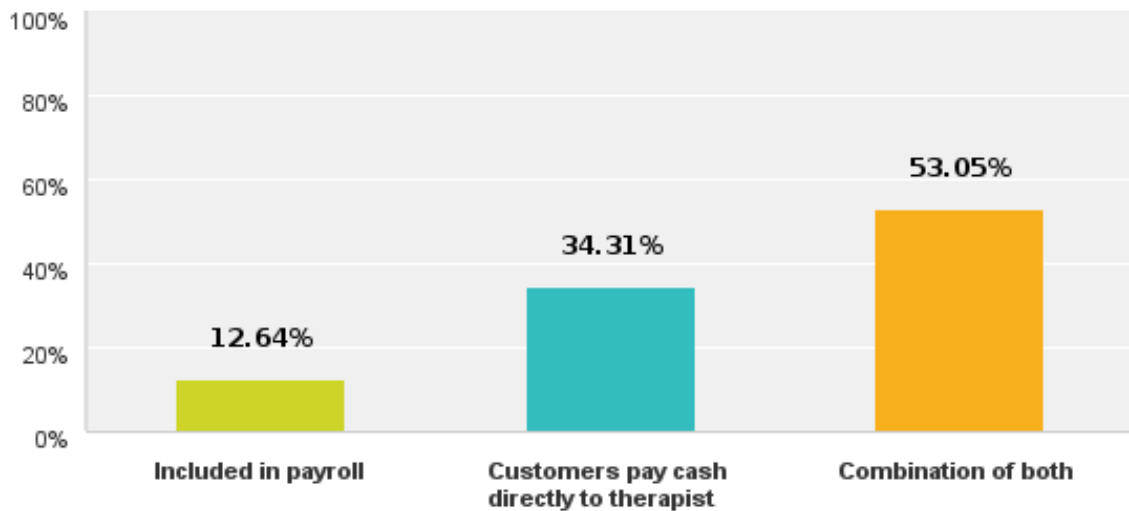
Data:

This is a tip driven industry.

Take-away:

Point of consideration: There is growth in the no-tipping movement.

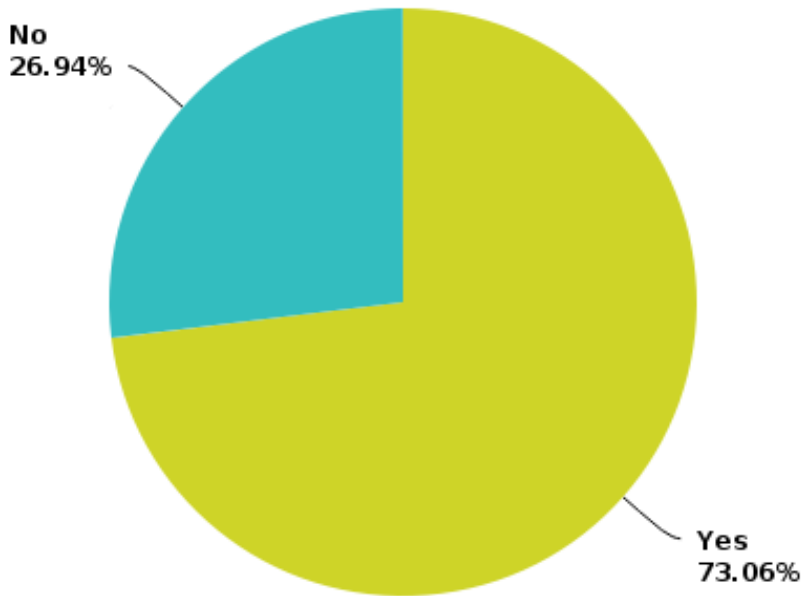
How do you pay tips? (Select all that apply)



Take-away:

If you do not report tip income it is a potential red flag for taxing authorities.

**As part of a pay plan, do you pay
commission on Retail sales?**



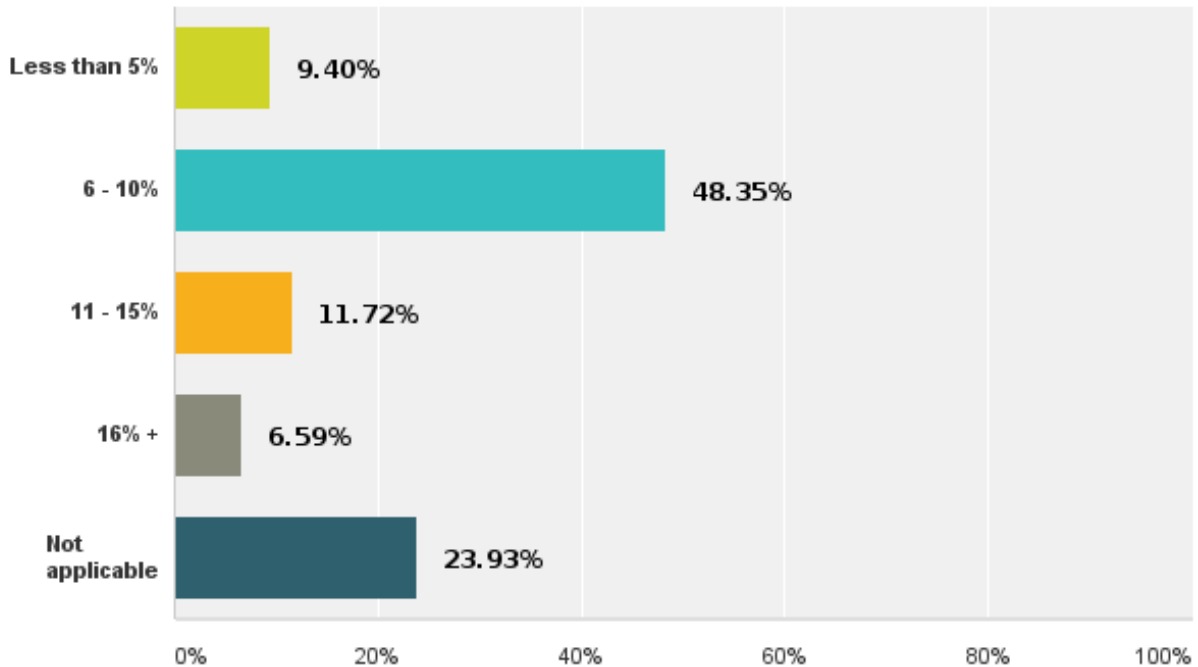
Take-away:

A significant part of our industry does not pay retail commissions.



*Comparison to 2013 Retail Report –
35% responded “No”*

If you pay commission on Retail sales based on the Retail price of the product, what is the commission rate paid?



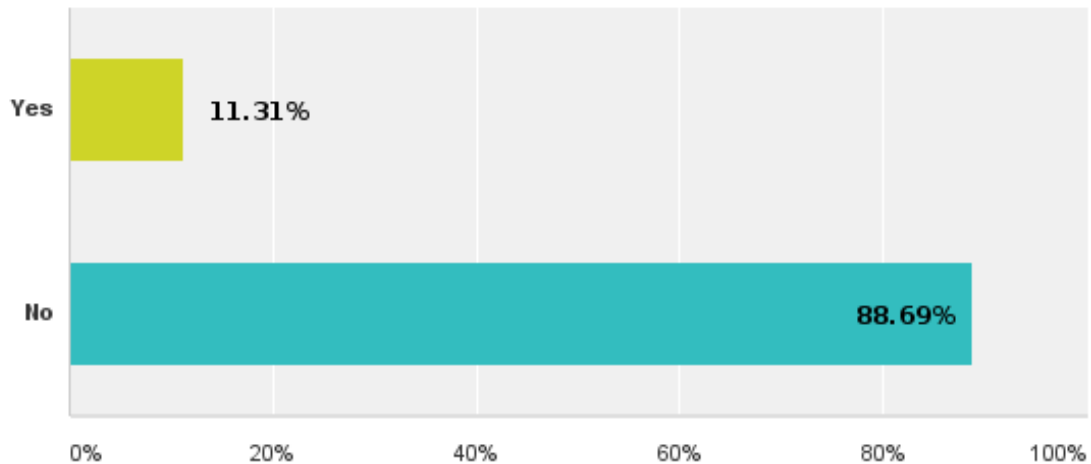
Data:

A sales commission rate up to 10% is most common.

Take-away:

A sliding scale tied to performance is worthy of consideration.

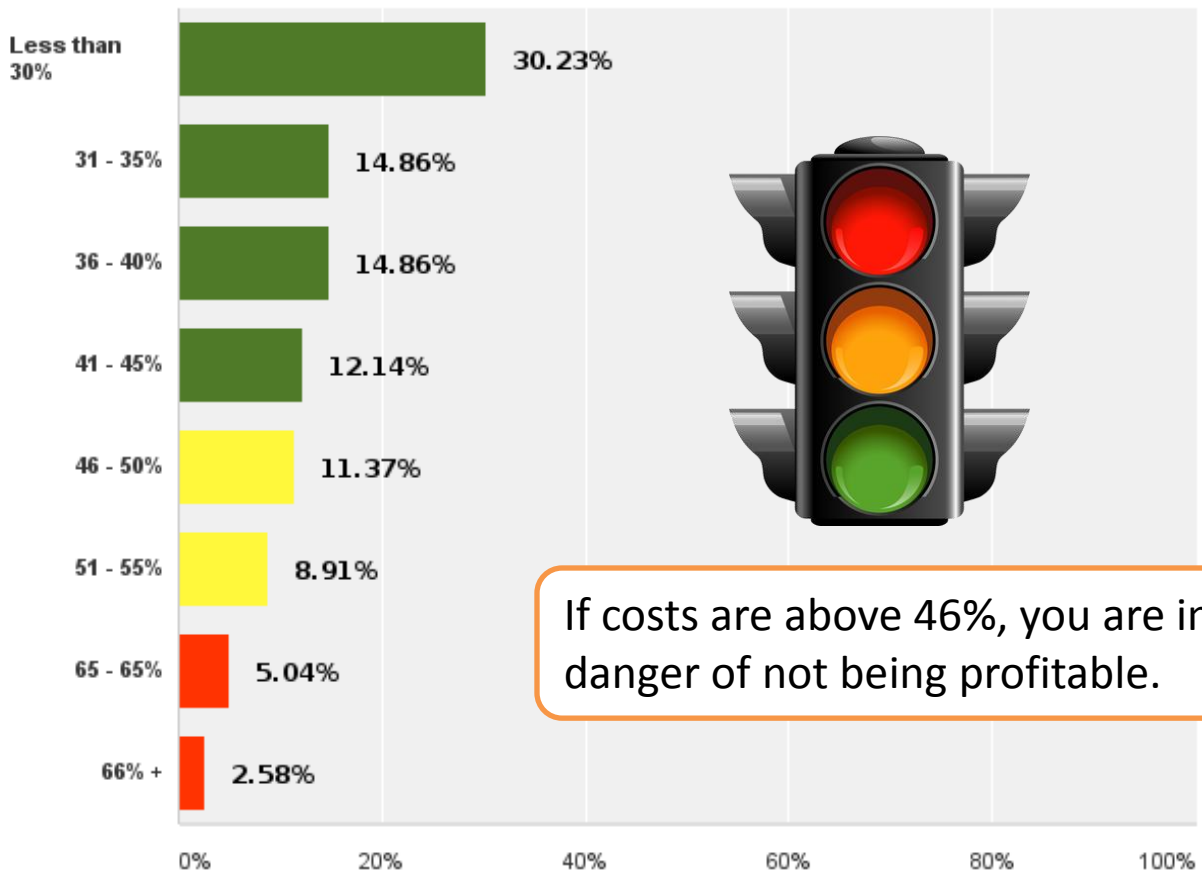
Do you pay commission on Gift Certificate or Gift Card Sales?



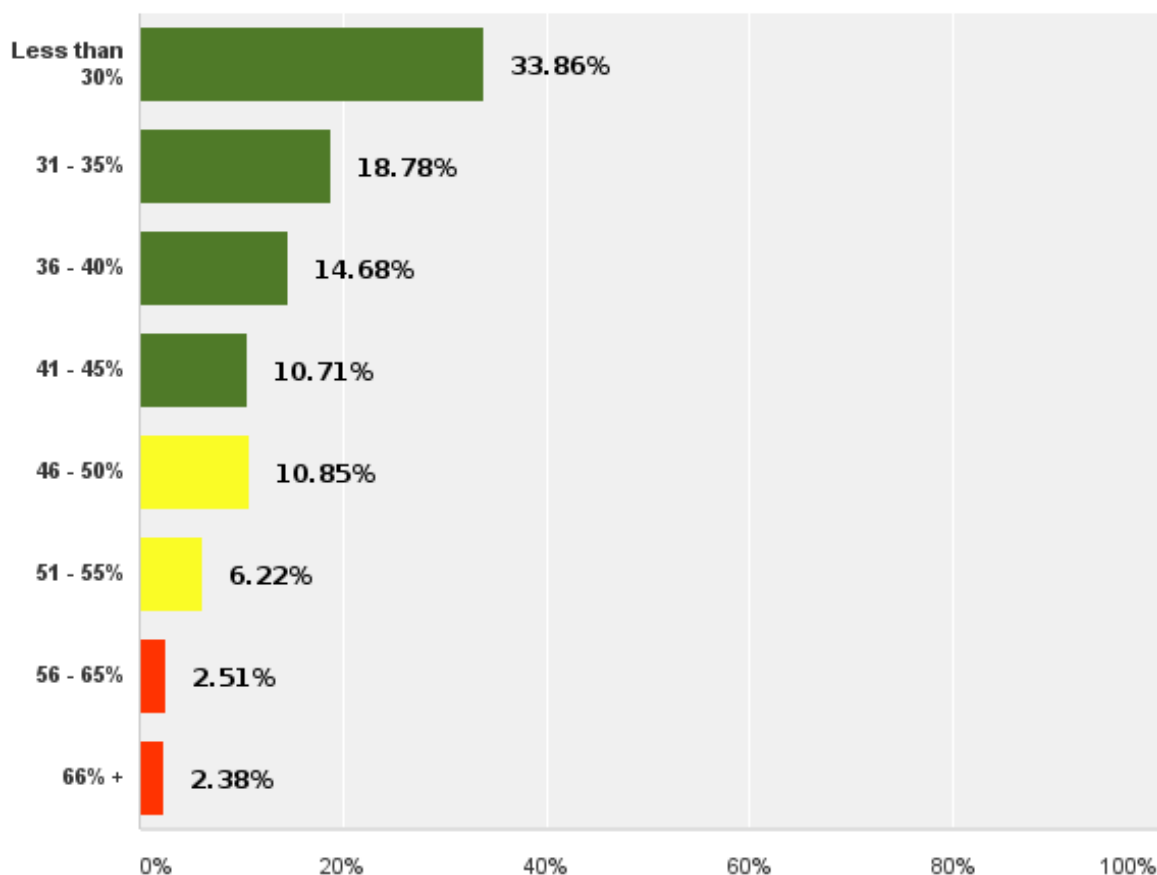
Take-away:

A gift certificate or gift card is considered a liability on your balance sheet until redeemed. Why would you pay a commission on a liability?

What is your Total Labor Cost percentage? (Part A: add up your total payroll cost including service providers commissions and wages, front desk, attendants, and their payroll taxes. Also include in this number payments to independent contractors. Do not include bookkeepers and general management.) (Part B: take the total dollars from Part A and divide into total sales, not including Gift Certificate or Gift Card sales.)



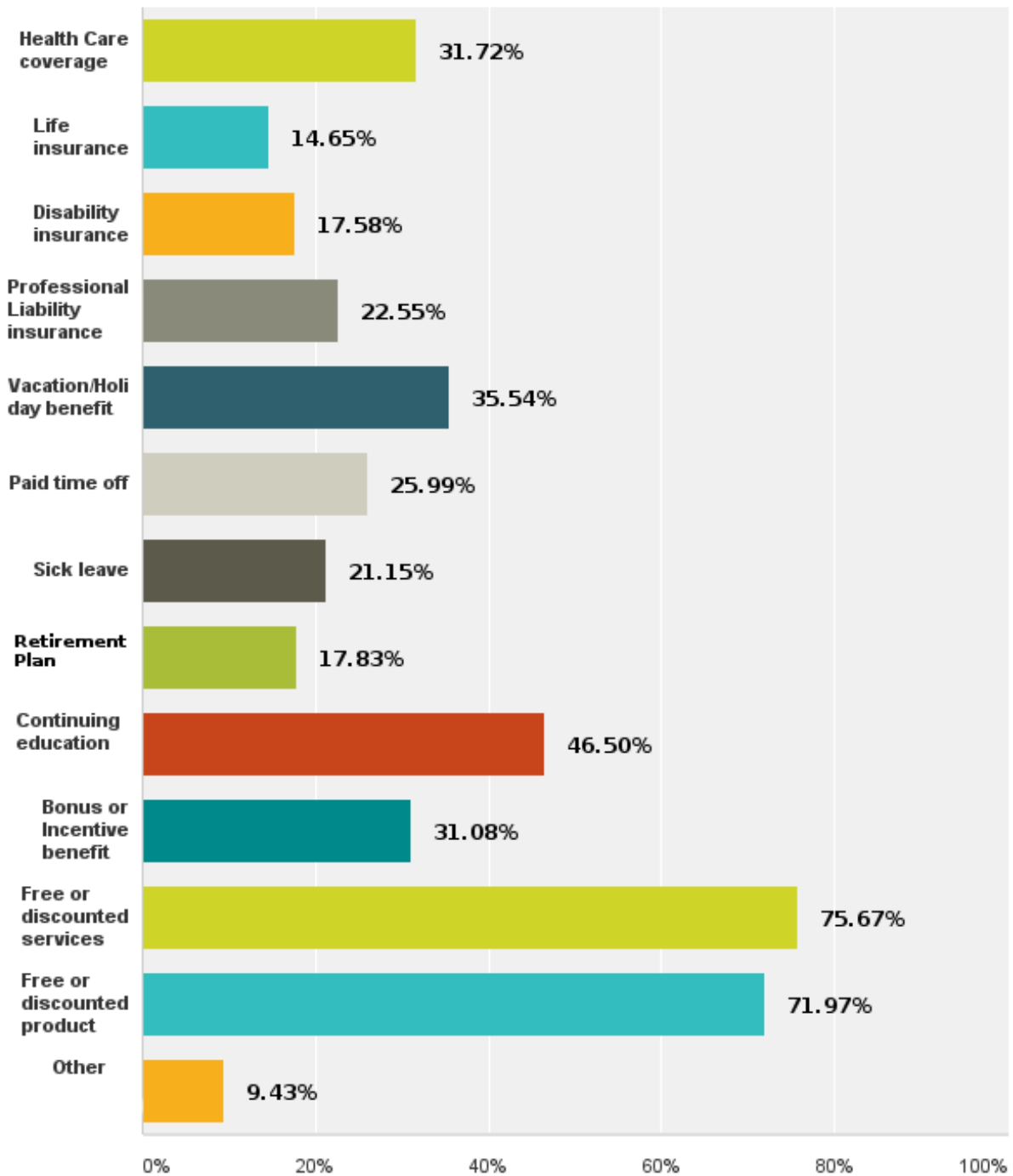
What is your Service Providers Labor Cost percentage? (Labor cost = service providers plus payroll taxes ÷ total sales, not including Gift Certificates or Gift Cards.)



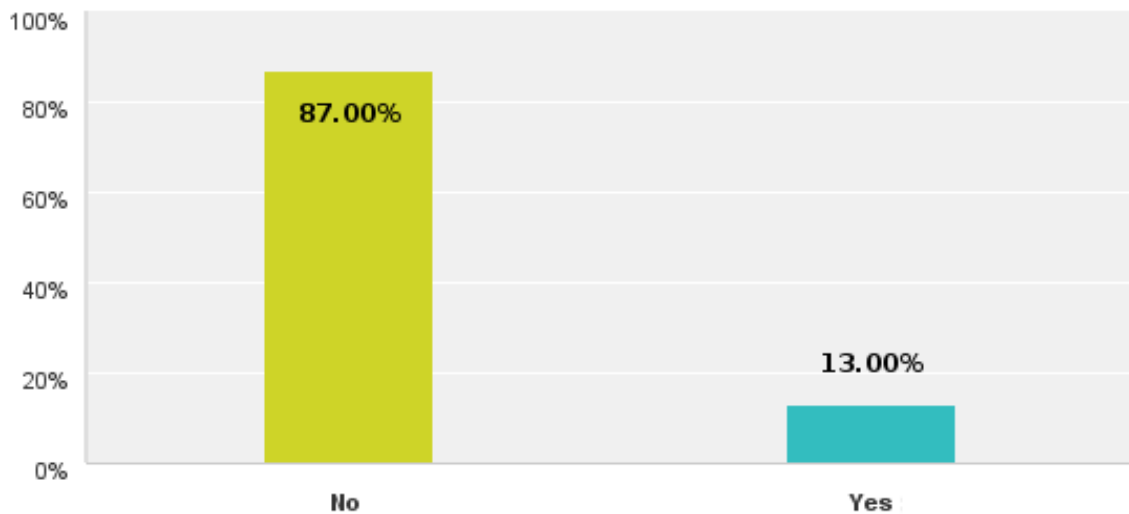
Take-away:

Knowing and controlling labor costs = profitability.

Select all benefits that apply.



Are you anticipating a change in the benefits you provide, within the next 12 months?



Take-away:

Anticipate change.

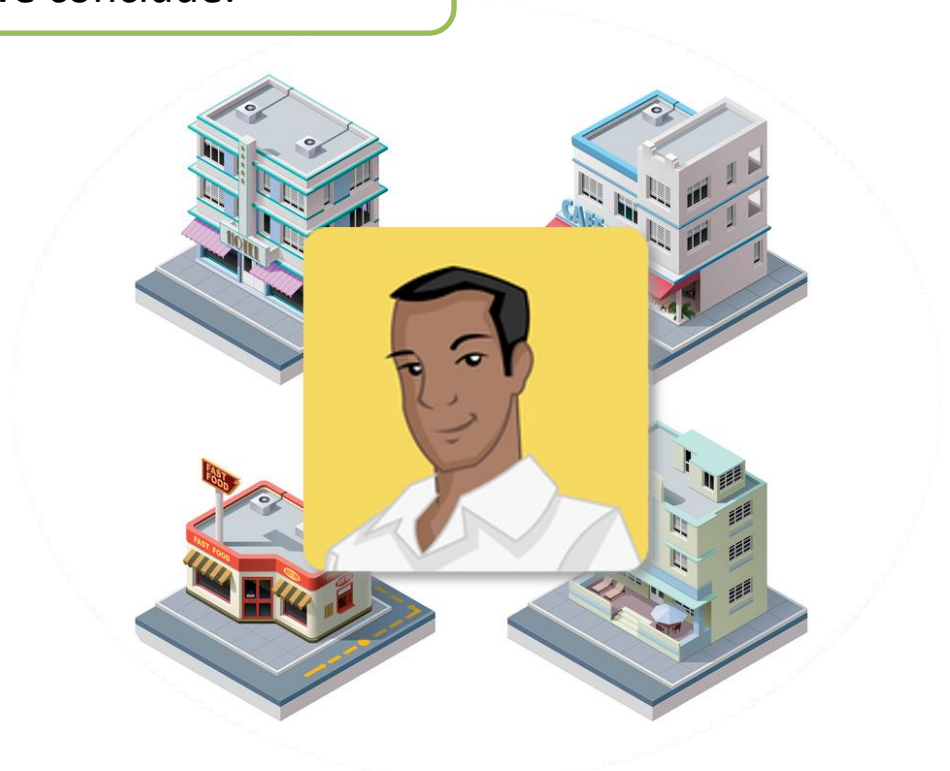
Based on the survey, we conclude:



Tonya Typical:

- Owner/operator at one location
- 73% of respondents have total labor cost less than 45%
- Up to 3 treatment rooms, she provides some services
- Produces up to \$250,00 in revenue
- Does her own payroll
- Accepts tips
- Staff are employees and independent contractors

Based on 155 Multi-Unit respondents, we conclude:



Marty Multiple:

- Roughly 53% have two locations – 11% have 11 or more
- Over 35% have up to 9 treatment rooms – over 31% have 10 or more
- 48% produced up to \$500,000 in revenue
- 32% produced up to \$2,000,000 in revenue
- 20% produced over \$2,000,000 in revenue
- 42% of multi-unit owners still provide services
- Multi-unit operators are utilizing more independent contractors to staff treatment rooms

This survey is available to you, customized to fit your business profile and will give you comparable data to other businesses similar to yours

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DSA
The Day Spa Association

The Day Spa Association Custom Survey
Complete this form and fax a signed copy to 855-344-8990, or scan and email it to dsa@dayspaassociation.com

Name: _____
Company/Business: _____
Address: _____
City, State, Zip: _____
Telephone: _____
E-mail Address: _____

Question 1: _____ How would you describe your facility (spa/salon, medical, etc.)?
Question 2: _____ What is the location of your facility (City, State, Zip)?
Question 3: _____ How many locations do you have?
Question 4: _____ What is the total square footage of each facility?

Custom Survey: \$199 one-time cost. These reports are pulled together in Survey Monkey format and will be sent to the email above.
Payment Information: (we will take a check one time for the entire amount)
☐ Charge my credit card \$199 one-time:
☐ MasterCard ☐ Visa ☐ American Express ☐ Discover
Credit Card billing address if different than above: _____
Card #: _____
Signature: _____ Expiry: _____

DSA, 1551 Sandbar Circle, Waconia, MN 55387 (952) 281-1252

It's as easy as 1,2,3!

1. Download this form and print it out
2. Scan/email and return to dsa@dayspaassociation.com or fax toll free to 855.344.8990
3. We will send you a customized report in PDF format in just a few days

Thank You!

Thank you and we hope the information in this Trends Survey will help you build a profitable business. Feel free to reach out the DSA and IMSA any time for any reason. We're here to help. Contact us at....



Allan Share

Day Spa Association and
Intl Medical Spa Association
952.283.1252

